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Leading indicators show US economy gaining strength

New government economic data showed the US economy to be gaining strength, lending weight to predictions of solid growth in the next two quarters. The Commerce Department's index of leading economic indicators showed a rise of 0.5 per cent in September after a 0.9 per cent.
gain in August. At the same time, the Commerce
Department said sales of new homes rose by 21 per cent in September to their highest level in

Fifth TV network planned: Media companies Time Warner and Tribune announced they were joining forces to launch a fifth US prime time television network - in direct competition with Paramount Communications and Chris Craft industries, which also unveiled plans for a network last week. Page 17

Rabin faces setback: Israelis voted across the country for new municipal councils amid signs that the Labour party of prime minister Yitzhak Rabin was heading for an electoral setback in Jerusalem but some successes elsewhere, in the first test of public opinion since the signing of the Israeli-Palestinian peace agreement. Page 7; Palestiniens suspend talks, Page 7

Hongkong: Telecom plans to cash in on its existing telecommunications system by setting up a cable TV and video-on-demand service. The move comes two days after the launch of Wharf Holding's HK\$5bn (US\$647m) cable television network for the colony. Page 21



We're back", said the headline over the front-page editorial . in yesterday's Pravda (left). After a month's ban, the Soviet Union's most famous paper, founded on May 5, 1912, by Lenin, is out again. But the paper that was once required reading for 20m Soviet communists must now compete in a raucous marketplace of publica-

tions in which its pre-ban circulation of just under 500,000 will be hard to maintain. Page 3: Yel cestigates ministers on reform, Page 3; Rouble zone faces more breakaway pressure, Page 3 Tax rises signafied: UK prime minister John Major gave the clearest signal yet that his govern

November 30 Budget. Page 10 BCCi compensation vacue: Liquidators to the collapsed Bank of Credit and Commerce Inter

national want to negotiate a higher confidution than the originally negotiated \$1.7km for creditors from the government of Abu Dhabi, the majority shareholder in the bank. Page 16

MEPC, UK's second largest property company, is doubling its exposure to the US property market by paying £1.15m (\$170m) for American Property. Trust, a unit trust that owns two shopping mails in the US. Page 17

Serb-Croatian taiks: Officials from Croatia. and the Serb-held Krajina enclave held secret "Palestinian-style" talks in Norway aimed at agreeing a truce, diplomats said. Page 3

Klart, second biggest US retailer, is selling most of its lossmaking Pace Membership Warehouse clubs to rival retailer Wal-Mart Stores.

Renault and Yolvo said they would launch a concerted campaign to defuse mounting shareholder opposition to their proposed merger after the Swedish group was forced to postpone a vote to approve the deal. Page 17; Volvo and Renault paper over the cracks, Page 18

Warning on debt: Kenyan finance minister Musalia Mudavadi warned that the country might have to reschedule its \$7bn external debt because of an accumulation of \$700m in arrears resulting from the suspension of foreign aid. Page 6

Proton Cars Europe, an Angio-Malaysian joint venture through which the Proton, Malaysia's national car, will be marketed in continental Europe from the middle of next year, was formalised in Kuala Lumpur. Page 8

Rusing party 'set for wist': New Zealand's ruling National party appears increasingly likely to win Saturday's general election, aided by a surprising late run from the third-ranking Alliance, according to the last national opinion poll to be conducted before the election. Page 6

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De Benedetti returns from holiday to threat of jail

Charges by Rome magistrates in political corruption case speak of 'socially dangerous' Olivetti chairman

MR Carlo De Benedetti, one of Europe's best-known and wealthiest businessmen, faced the prospect of his first night in jall yesterday after returning to Italy to be interrogated by Rome magistrates investigating political corruption.

A visibly shaken Mr De Benedetti was driven to the capital's Regina Coeli prison after giving himself up to police in Milan. The arrest followed the issue of a warrant at the weekend by Rome magistrates against the Olivetti

cated in Italy's 18-month political corruption scandal. Reports suggest that Mr De Benedetti was on holiday outside Italy at

Mr De Benedetti's arrival at the jail, where he is likely to be kept for at least 48 hours, was ccompanied by chaotic scenes. Attempts at a discreet entry were foiled by a traffic jam, which left his car and a police escort blocked in a narrow alley within sight of the rambling jail, a former convent. The vehicles were immediately enguised by

ing during the day, magistrates indicated they would not decide for at least 48 hours on a legal move by Mr De Benedetti's lawyers to secure his release. In the formal charge sheet pre-pared by Ms Maria Cordova, the

investigating magistrate in charge of the case, Mr De Benedetti is described as "socially dangerous" and accused of corrupting public officials for the

Until now, Mr De Benedetti

photographers jostling to catch a glimpse of the accused.

After two rounds of question
has taken the line of many other senior businessmen caught up in the corruption scandal that kickthe corruption scandal that kickbacks were paid only after repeated demands by public sector officials and politicians, and were essential for their compa-nies to win business from the

> That line of defence satisfied Milan magistrates, who interrogated Mr De Benedetti in May. At that time, in a highly embar-rassing admission just days after asserting the opposite to Olivetti shareholders at its annual general meeting, Mr De Benedetti

disclosed to Milan magistrates investigating post office corruption that Olivetti had paid

magistrates in Rome, who, con-trary to the decision of their Milan colleagues, have sought

Mr De Benedetti's arrest. The Rome magistrates say new evidence has come to light, sug-gesting that Mr De Benedetti has held back information and that he is not the innocent victim of

conniving public sector officials, as he claimed. According to widely leaked

comments in the press, the Rome judges argue Mr De Benedetti himself sought to corrupt officials. They claim to have unearthed new evidence that the kickbacks stretch back much further than Mr De Benedetti has admitted and that the equipment sold to the post office was over-

priced and outdated. Olivetti and Mr De Benedetti's lawyers have strenuously denied such claims. However, his incarceration has once again highlighted differences between Milan and Rome

Continued on Page 16

Bavaria's PM exposes split on European union

SERIOUS differences have emerged in Germany's governing coalition over European integra-tion within a day of the Maastricht treaty on European union

coming into force.

Leading foreign policy spokesmen in the coalition yesterday denounced the views of Mr Edmund Stoiber, Bavaria's prime minister, who said the idea of Europe as a federal state was fin-

Mr Stoiber is the most powerful political figure in the Bavaria-based Christian Social Union (CSU), sister party of Chancellor Helmut Kohl's Christian Democratic Union (CDU) in the coalition. His outburst is likely to be a serious embarrassment for his party leader, Mr Theo Waigel, the finance minister and a co-signa-

tory of the Maastricht treaty in a hard-hitting interview with the Stiddeutsche Zeitung Munich's main newspaper, Mr Stoiber called for the integration process to be slowed. He implied that Mr Kohl's passionate commitment to European union was

"We are no longer striving for a European federal state," he said. "Europe is more than the European Community. I want a simple confederation. That means that the nation states maintain their dominant role, at least as far as internal matters

The danger of Mr Stoiber's views for the ruling coalition is that they undoubtedly reflect growing doubts in the German population. Those doubts are likely to see defections at next year's European elections to the far-right parties such as the Republicans, who openly exploit

of the CSU and the CDU there is a growing feeling that Mr Kohl's passionate commitment to Europe may be a vote-loser.



French and German finance ministers Edmund Alphandery (left) and Theo Waigel meet in Berlin with, in the background, their central bank heads Jean-Claude Trichet (left) and Hans Tietmeyer.

survey published yesterday by the interior ministry, only 18 per cent of west Germans and 12 per cent of east Germans said they could see real advantages for the country in EC membership. A majority believed advantages and disadvantages were equally bal-

On the other hand, most voters still believed that most difficul-ties - with the important exception of employment policy could best be resolved at Euro-

anti-European sentiment.
Among rank-and-file mambers Mr Stoiber's ideas were criticised sharply by Mr Peter Kittelmann, EC spokesman for the CDU in the German parliament. He said they went against an agreed CDU and CSU policy paper agreed only last week and

could be explained only in terms of provincial Bavarian politics. He was referring to the threat of a rise in support for the far-right Republicansin the state, campaigning on an overtly anti-Euro-

pean platform.

Mr Kohl issued a statement reiterating his European convictions, although he too stopped short of defining Europe as a fed-

The chancellor welcomed the decision at last week's EC summit in Brussels to place the future European monetary institute, and later the European cen tral bank, in Frankfurt. He insisted, however, that strict maintenance of the economic convergence criteria was an absolute precondition for the intro-

The entire German political establishment, overwhelmingly pro-European, is acutely conscious of growing doubts among

German voters over European

integration.

Italian steel group wins right to buy Ekostahl

THE Treuhand privatisation igency has granted sole negotiating rights to Riva, the Italian steel group, to buy Ekostahl, eastern Germany's largest steel mill, against strong competition from German manufacturers.

However, the European Commission will need to be convinced that the Riva plan for Ekostahl will not lead to more overcapacity in the German steel industry, that its investments contain no hidden subsidies and that its plan is economically viable.

Riva is expected to submit its proposals to the Commission this week, and Brussels should then recommend its findings to the Council of Ministers on Novem-

Under the plan, Riva, the Milan-based privately owned company, will buy 60 per cent of Ekostahl, while Treuhand will hold the remaining 40 per cent stake. Together, they will invest DM1.2bn (\$740m) in building a hot-rolling mill, the equivalent of

a mini-mill, with an annual capacity of about 900,000 tonnes. Riva will also guarantee 3,600 jobs, of which 1,700 will be employed at the steel mill. Before 1990. Ekostahl employed over 12,000 workers, most of whom live in Eisenhüttenstadt, Brandenburg, close to the Polish border. The mill was producing more

than 2.1m tonnes a year.

Mr Hans Krämer, a board mem-ber of the Treuhand, said yesterday that the Riva plan took precedent over its competitors because "it would make Ekostahl economically viable and competitive". Ekostahl is running annual losses of more than DM100m on a turnover of DM1bn.

Treuhand said: "We hope the EC will accept the plan because Riva's 60 per cent stake is private capital." The agency will use its 40 per cent stake to modernise the mill. It is unclear if that stake will be sold once the restructuring and modernisation plans are completed in the next five years.

But Mr Ruprecht Vondran, president of the German Steel Federation, said in a statement that the Treuhand's decision was highly problematical" and it would add to pressures or

overcapacity in the industry Riva's German competitors which included a consortium led by Thyssen and Preussag, and Hamburger Stahlwerke, had rejected the idea of building a modern hot-rolling mill, largely because they did not want another competitor entering the steel sector, or to increase the country's annual capacity.

Thyssen and Preussag had offered to buy 50 per cent of Ekostahl's cold-rolling mill and close down the blast furnace within the next three years.

German output down, Page 2

Daimler-Benz chairman hints at reduced dividend for 1993

By Christopher Parkes in Frankfurt

DAIMLER-BENZ, Germany's largest industrial group, has responded to mounting discontent among its workforce with a warning that it may reduce its dividend for 1993.

Mr Edzard Reuter, group chair-man, said in a radio interview that while the company would try to avoid "bitter disappointments" for shareholders, employ-ees could not be expected to be the only people to make sacri-

The prospect of a dividend cut was raised despite the company's claims for most of this year that it would try to hold the pay-out at last year's DM13 - drawing on reserves if necessary.

Daimler, embracing MercedesBenz, AEG electrical engineering

and Deutsche Aerospace, has

recently provoked anger among its workers with plans to extend an already heavy job cuts programme. The planned closure of six Deutsche Aerospace factories, service and logistics centres led to widespread labour unrest. All operating divisions are

expected to make heavy losses this year, and the final result will be worsened by a DM1.5bn (\$885m) charge to cover the costs of lay-offs and rationalisation. Daimler, reporting for the first

time according to US accounting rules, made a net loss of DM949m in the first half of this year compared with a net profit of DM965m in the same period last The group has ample reserves, including more than DM8bn in

appropriated retained earnings

revealed in connection with its

recent listing on the New York

Stock Exchange. Markets had

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been led to believe these would be used to maintain the dividend, bolstering the group's attractions in advance of a rights issue planned for next year. However, it appears the board

has now decided an unchanged payout would be inappropriate while 44,000 jobs were being cut. Analysts suggested a reduction to DM10 would be "psychologi-cally" suitable while anything less would be cosmetic.

After falling in early Frankfurt trading, Daimler shares recovered to close DM4.5 higher at DM752. Even so they lagged well behind the blue-chip Dax index which closed at a new record of 2,095.58, and the day's gain was eroded in after-hours trading.

opposition, Page 17 Covering the cracks, Page 18

Car chiefs try to defuse Wall Street ..

Mr. Graham Bell. Stop. About your telephone invention. Stop. It'll never work. Stop. Won't back it. Stop. Take my advice. Stop. Having the capital to back a big idea is only half the secret.

Having the vision to spot one is the other half.



Give us a Bell.

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None of the Bürgers wants to be Meister Ukraine keeps

By Judy Dempsey in Berlin

LESS than a month before local government elections, the eastern German state of Brandenburg is having a spot of bother: attracting candidates. In 300 of the state's 1,700 towns and villages, Germany's politi-cal parties cannot find people willing

to stand as mayors. "Who wants to stand for mayor when the councils are virtually bankrupt," one official from the Brandenburg government said yesterday. Most of the city and town councils in

eastern Germany are running budget deficits as high as 70 per cent. This means that any promises by prospec-tive mayors about opening libraries, kindergartens, or building swimming pools, are sheer flights of fancy.

But it is not only the councils' financial state which provides a disincentive to any prospective candidate. Brandenburg, led by Mr Manfred Stolpe, is the only eastern state in the hands of the opposition Social Democratic party (SPD). The established parties all admit that they are finding it difficult to create local

elites in the five eastern states. For 40 years, eastern Germans were politicised" to the extent that they had to participate in a political system ranging from waving the Red Flag to joining the Youth Movement "It takes time to overcome a system in which political participation was compulsory," explained Mr Wolfgang Thierse, an SPD member of the Bundestag, or Lower House, who repreency in east Berlin. Voters in eastern Germany have also become rapidly disappointed with their new politicians, as the ini-

tial emphoria of unification has col-lapsed with the mass unemployment that it has brought to some regions. There is also a deeper sense of dis-trust. The electorate in Brandsuburg has seen how Mr Stolpe, who before 1989 had close connections with the Lutheran Church and had tried to defend them, is now pilloried for his alleged connections with the Stasl, the former state security apparatus under the communist regime. "You need to be strong to tolerate non-stop acrutiny of your past," said an offi-cial from Potsdam, the capital of

Brandenburg. Ms Regine Hilde-brandt, Brandenburg's minister for labour, health and women, says she can understand these anxieties. However, she insists: "We must pull the people out of their lethargy. They just can't sit back and let other people make decisions for them.

That's what it was like in the fur-

mer days. "They must get up and become politically engaged and let their voice be heard, otherwise eastern Germany will be a political wilderness," she

Europe's high-fliers a down to earth lot

THE average European business traveller is a family man, often careless with his health, more inclined to sleep than eat on long-haul flights and occasionally prepared to play computer games on his The portrait is revealed

today in a survey by Official. Airline Guides, a publisher of airline timetables. It also records national differences in attitudes to air travel. The French are most inclined to ignore in-flight catering and the British most

likely to drink alcohol, and the Germans like to both est and drink. Women business travellers, just 7 per cent of the total, are the most industrious. Some 69 per cent say they preferred to work on short-haul flights, compared with 61 per cent of

More than a third of all pasengers polled did not take out full medical insurance and less than half made sure they had

the necessary inoculations against disease. The British were the most conscientious on inoculations, and Germans the worst. One in five passengers usually carried condoms, of which most were married men. One in 12 women travelling also

carried condoms, the survey found. Frequent fiver schemes - in which loyalty to an airline is rewarded with points that can be exchanged for free trips emerge as en important determinant in airline loyalty.

Some 82 per cent of survey respondents were members of such schemes and two thirds of members said that given a choice of carriers on a route-they would choose one to whose frequent flyer programme they belonged. Ironically, the free flights

arned from such schem were of little importance to the frequent traveller. Top of the list of perks conferred by mem-bership of such schemes, nominated by 92 per cent of respondents, is to be given priority in the waiting list for full aircraft. Their desires are probably the result of the need to make late changes in itineraries: 30 per cent of business travellers said they did this "very fre-

quently." By contrast, only a minority of travellers had redeemed any frequent flyer points, perhaps not surprising when only 10 per cent said enjoying leisure time was more important than work or family life.

Call to remove Tapie immunity

A French judge yesterday asked for the parliamentary immunity of Mr Bernard Tapie, the controversial French politi-cian who is chairman of the Olympique Marseille football club, to be lifted so he can be questioned over his suspected involvement in a bribery case against the club, writes Alice

tight grip on key industries

By JEE Borobay in Klev

UKRAINE yesterday published ing its state ordering system into 1994 and opening the door for a tightening of control over key industrial sectors.

The decree, signed by President Leonid Kravchuk on October 28, requires agricultural, consumer goods and military enterprises to sell part of their production to the government at state-determined prices. It dashes hopes that Mr

Kravchuk might try introduc-ing market reforms before par-liamentary and presidential elections slated for next year. Of particular concern is the fact that the decree not only obliges state-owned enterprises oninges stans-owned enterprises

- comprising most of Ukraine's
industry - to satisfy state
orders, but also applies to quasi-private companies that rent space and equipment from the

Exclusively private compa-

with state orders. However, the fate of companies that could be privatised next year is unclear. Large-scale privatisation has the yet to be initiated in Ukraine. The exact portion of produc-tion to be sold to the government at fixed prices is still to be determined. But the portion

will be financed either directly from the state budget or through central bank credit. While President Kraychuk signed the decree with the intention of "stabilising pro-duction" in Ukraine, where gross domestic product is falling at 20 per cent annually, the result is likely to be a further outflow of funds and the continued support of inefficient

state enterprises. Inflation is currently running at about 100 per cent a month with central bank credit doubling every three months. The karbovanets, Ukraine's interim currency, has plummeted over the past three

Illegal labour a growth business

Ariane Genillard on Germany's problems with a cheap import

Botz, who heads the task force clamping down on Hegal workers at the labour office in Cologne, scans his first construction site of the day in nearby Leverkusen. "We have never found a clean construction site in the

whole region," says Mr Botz. cases, a letter from a rival con-struction company caused the surprise search. Three Polish workers are ordered to lay their tools down a few minutes later, when overdue papers show they are not entitled to

be on site. "Often, we just tell them to stop working. Sometimes, they are put back on buses to eastern Europe," says Mr Botz. More than half a million workers from eastern Europe are believed by trade unions and political organisations to be employed fliegally in Germany's construction industry. Gathered in parking lots, they wait to be picked up by employers who are eager to pay less than 25 per cent of a e for the eame iob

loyed for DM3 (\$1.80) to DM4 (\$2.40) an hour, are the With growing unemployment and bitter price wars for construction contracts, the rising number of illegal job-seekers crossing Germany's porous eastern border is pitting companies against each other and unionists against politicians.

says Mr Peter Rack. Albanians,

Meanwhile, as the number of unemployed in western Germany in the sector has risen by 3,000 to 76,122 last year, profits in the construction industry have surged by 5.6 per cent, mostly as a result of growth in the east. Nearly 1,000 new construction companies were registered last year. For IGhau, the construction industry union, the core of the exchange agreements signed between Bonn and eastern neighbours in the wake of the fall of the Berlin Wall.

These allow 97,104 people from eastern Europe to work in Germany at any time for specific contracts lasting up to a year. Most are employed in the construction industry. The unions say this has fostered the growth of middlemen

I IS Sum and Mr Harbert from eastern Europe who subcontract their nationals to Ger-

> "One middleman gets 30 per mits through a contract. But three days later, he exchange ones. This way he can keep people coming in although they don't have the proper papers," says Mr Hanz Haber,

Aware of the growing abuses, the authorities have been trying to control the problem by targeting companies rather than workers. Since the beginning of the year local offi-cers can check construction sites without search warrants. IGbau, which wants the labour agreements cancelled and greater protection of the local highly regulated labour market, claims the authorities are deliberately turning a blind eye to the problem. It says the government, which has already asked Poland and the Czech Republic to take back asylumkers, is reluctant to apply

Pressure on the government has also come from o tions representing small and medium-sized companies squeezed by falling prices for construction contracts.

"We want the government to allow a limited number of eastern European workers per enterprise, depending on the labour force it employs," explains Mr Julius Louvenen from the Christian Democrats small business lobby group.

Talks with the government which started a year ago, have been fruitless, prompting an IChau threat to take the government to the constitutional court to introduce tighter wage controls in the workplace. Meanwhile, some attempts are being made to improve the

control on the workers on a construction site. Special passes have recently been issued to facilitate regular check-ups. But fines for illegally employing workers have not been significantly

"We get caught, the boss pays the fines and we come right back. For big employers, the fines are peanuts. They Il make the money back in one month, if you ask me," says vanishing into the crowd.

German output marked down

By Christopher Parkes

WEST GERMAN industrial output fell by a provisional 2 per cent in September, according to price and seasonally-adjusted figures published by the

economics ministry yesterday.

The ministry, which said it expected the final figure to be adjusted upwards by a "good two points" later, noted that the result had been decisively affected by a 2.5 per cent drop

Total industrial output, which includes mining, con struction and energy, stood 7.6 per cent lower than a year ear-lier, although the ministry's statement suggested the final outcome would be a year-onyear decline of around 5.5 per cent. This would be unchan from August, when production increased by a revised 2.2 per

The statistics support other indications that the worst of the recession is past, although heavy industry in particular is still struggling and consum goods production was also markedly lower than it was a month earlier.

According to yesterday's figures, combined output in August and September was 0.5 per cent higher than in the pre-vious two months and 6.2 per cent lower than in the same

According to this two-month measure, construction - up 2.4 per cent - was the only sector showing any year-on-year improvement. Production of investment goods was 11 per cent lower.

According to the Federation of German Industry (BDI), industrial output will decline further, although only marginally, in the coming months. Prospects for a reversal of the trend seem dim, it says in its latest monthly report.

Consumer demand expand very slowly. Public demand will remain weak because of spending cuts, and there is little reason to expect a boost to capital spending because of heavy investment in the recent past, the BDI adds.

Strike ends at Austrian **Airlines**

PILOTS and cabin crews at Austrian Airlines yesterday voted overwhelmingly to end their strike, which had crippled the national carrier for live days, writes Patrick Blum from Vienna. The decision follows a compromise giving the unions a say in any future restructuring plans. The militant flight employ-

ces' union abandoned its initial demand for the resignation of the management board. The strike was called in protest at plans to cut the 4,500 workforce by 500 in an effort to trim expected loses of Sch830m (£49m) this year. Services are expected to return to normal



Camera work: Silhouetted photographers form a backdrop at Cinecittà studios in Rome where Italian film-maker Federico Fellini lies in state. Marcello Mastrolanni and Anita Ekberg, stars of his 1960 classic "La Dolce Vita", were among those who paid their respec

French fingers crossed as the economy shows signs of revival

FRANCE'S economy minister is cautiously optimistic. Despite the steady rise in unemployment the French economy is beginning to show signs of revival from one of the deepest recessions since the second world war.

"It is clear that take-off has still to take place," says Mr Edmond Alphandery, "But the economic climate is moving in the right direction." He bases his view on a series of statistics released over the past 10 days showing encouraging trends from industrial production to exports to consumer

The figures lend weight to Mr Alphandéry's argument that the economy has stabilised after a sharp contraction which set in at the end of last year. But the big question is whether the improvement in economic indicators is sustainable, and whether it is strong enough to lift the economy

The biggest surprise in the latest batch of data has been consumption, the Achilles heel of the economy in the first six months of 1992, but which rose by 2.1 per cent in the third "The pattern of consumption

was stronger than had been expected," said Mr Jean-François Mercier, economist at Salomon Bros. Most economists had forecast that an tributions which took effect in July together with a rise in indirect taxes on cigarettes, alcohol and petrol, would persuade consumers to keep their hands in their pockets.

Industrial production, too, has been stronger than fore-

lumped together because of the relatively quiet holiday period, it rose by 1.3 per cent over June. A survey of French business leaders by Insee, the national economics institute, revealed confidence that pro-duction at their companies had also increased in October.

On the international front, French industry is resisting the effects of recession in many of its principal markets and the increased competitiveness of rivals in Britain, Italy and Spain, which have bene-

believes a double dip recession. with a contraction in the fourth quarter, remains a pos-Real GDP

fited from currency depreciation. Trade statistics a surplus of FFr10.4bn (£1.21bn) in July, including a surplus of FFr4bn with EC trading partners. Total exports in the month amounted to FFr96.8bn, compared with "If you take all these indica-

tors together, the effect is encouraging," says one merchant bank economist. "But I wouldn't open the champagne

The French government is

sibility. He expects gross domestic product to expand by just 0.5-0.6 per cent next year; the government is forecasting 1.4 per cent growth. Some economists are more optimis-tic. Mr Robin Hubbard at Paribas Capital Markets, for example, thinks a 1.5 per cent rise in GDP next year is "eminently

Mr Edouard Balladur, the prime minister, last week. "But

it is better to err on the side of

caution than be too optimis-

Such caution is justified by

the uncertain prospects for the current quarter. Economists are divided about whether the

improved indicators will be

repeated or whether they are

nerely a blip. Salomon Bros' Mr Mercier

The principal factors in the economy's performance over the next quarter are likely to be the strength of consumer spending and exports. According to the optimistic scenario, household consumption will be posable income and a ran in the savings ratio. This view is supported by the low level of inflation and the rise in labour productivity, increasing by about 2 per cent per annum, and by the historically low level of interest rates which reduce the incentive to save. Such forecasts, however, are weakened by the continued impact of the rise in unemploy-ment. In addition to reducing proportion of the population with the largest propensity to

verful chological effect on spending. With unemployment forecast to breach 12 per cent by the end of this year and to con-tinue to rise through the first will be constrained. On the external front

weakening of the franc, on a trade-weighted basis, since the collapse of the European exchange rate mechanism in the summer. But recession in Germany, France's largest trading partner, and the slow pace of recovery in the UK and US will continue to depress international demand for French goods. The overall result is likely to

mean a gradual but fragile rise from recession. It is unlikely to mean a shift from existing economic policies. French eco-nomic officials argue that the benefits of a strong franc pol-icy are evident in the competitiveness of industry and are illustrated by the latest trade figures. An aggressive cut in short-term interest rates now, they claim, would simply raise long term borrowing costs. than nurture, the first shoots

similarly guarded. "The econ-omy is ripe for recovery," said cast. In July and August, Deutsche Bank prepares to open wide the doors on its past The secretive institution plans 'no-holds-barred' history, writes David Waller oundly criticised by the OMGUS investigators. Mr Abs is today 93 and still

are the twin skyscrapers of Deutsche Bank's headquar-ters. The buildings are made of of steel and glass; blue reflective glass which is eve-catching but not designed to let any-

This lack of transparency has long been a characteristic of the bank, Germany's most powerful financial institution with profits as big as those of its three main competitors combined. Deutsche Bank has been at the heart of German capitalism since shortly after it was founded in 1870, and has always been highly secretive in its dealings with the outside

A portion of the veil, however, is set to be lifted. To celebrate the bank's 125th anniversary in two years' time,

"no-holds-barred" history of the bank from five leading economic historians, each concentrating on a particular period. The bulk of the material has already been completed and was presented to international scholars in Frankfurt last month. The history itself will be published in German and English in 1995.

The historians, at work on the project since 1988, have more recently been able to draw on the bank's archives for the years 1870-1945. These only became available after German reunification in 1990; before then they were held in the east German city of Pots-

With a budget of DM1m (£400m), the project was initi-

ated by Mr Alfred Herrhausen, the former chief executive of the bank killed by terrorists in 1989. It has the active support of his successor, Mr Hilmar Kopper, who makes a point of finding time amid his frantic schedule to attend the meetings of the committee co-ordinating the project.

According to Prof Manfred Pohl, the bank's in-house historian, the aim is to take the writing of corporate history to new levels of academic excellence. All too often, he says, corporate histories diminish their intellectual authority by their desire to present an unremittingly positive view of the company in question. For the Deutsche Bank, as

for other German financial and

industrial institutions, there is one area of obvious potential embarrassment when scrutinising the past - collaboration with the Nazi regime in the 1930s and assistance with the war effort in 1939-1945. Last time the Deutsche Bank published a history, to cele-

brate its 100th anniversary in 1970, the issue was not confronted. Barely a mention was made of a report by the finance division of the Office of Military Government, United States Finance Division (OMGUS) which described how the bank, in common with other large financial institutions, financed the war effort, facilitated its industrial customers' use of alave labour,

into the territories occupied by the Wehrmacht, and partici-pated in the Arianisation of German business. This time, there will be no

fodge: the bank is intending to stare this unpleasant aspect of the past directly in the face. It demonstrated this commitment last month when it held a seminar on the bank's role in financing Universim Film, Germany's film monopoly in the 1920s and 1930s which developed into a central organ of Goebbels' propaganda machine during the Third Reich. The company was founded in

1917 at the initiative of Mr Emil Georg von Strauss, a director of the bank, and Deutsche owned a stake in the expanded its branch network organisation during the

a number of early film classics such as Fritz Lang's "Metropo-lis". The bank sold out in 1927. Moreover, says Prof Pohl, the commitment to objectivity has been underscored by the decision to appoint Prof Harold James, an Englishmen now at Princeton University, to cover the most sensitive period of all: 1933-45. Prof James is the official bistorian of the international Monetary Fund and writes on German affairs. The OMGUS team reported

twenties when it made a made

that Deutsche Bank and Dresdner Bank, Germany's second biggest bank then and now, had too great a concentration of econor ommended that the banks should be wound up and their criminals and barred from taking up positions of responsibility in post-war Germany. The winding-up did not happen. Broken down into

regional organisations by the allies, the banks were reformed in 1957 and soon developed for themselves a central role in post-war capitalism. Nor did bank personnel find themselves excluded from

office, as witnessed by the career of the legendary Mr Her-mann Josef Abs, Deutsche's first chief executive after the war. He joined the board of the Deutsche Bank in 1938 and although he was never a member of the Nazi party, and pro-

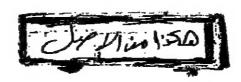
able to prosecute his causes with a flavour of the old doggedness - nowadays in the art world rather than in the boardroom. After brief internment

after the war, he went on to be

one of the chief architects of

Germany's economic revival.

The Abs theme is likely to be of special interest to readers of the official history. But the narrative from the more distant past should also provide insight into the mysteries of present-day German capital-ism. For example, the chapters covering 1870-1914 and 1914-33 will deal with the bank's role in sponsoring companies such as Siemens, AEC, Daimler-Benz and Mannesmann in their companies are still close.



Yeltsin castigates ministers on reform

PRESIDENT Boris Yeltsin of Russia yesterday told his gov-ernment ministers that they were dragging their feet on reforms and ignoring the social

needs of the population. In a stiff rebuke he said that those who took part in the Moscow demonstration a month ago which culminated in armed clashes round the parliament and the TV stations were "not just criminals and bandits, but also desperate people," deprived of benefits and

The Russian president said that a separation of powers embodied in the presidency and a new parliament - to be elected on December 12 - was essential, in spite of what he described as the growing affection of some officials and ministers for an authoritarian sys-

It was, he said, "a crude mistake" on their part to doubt the need for different levels of authority. "I must tell you, such a practice will not be supported by the president," he

Mr Yeltsin said that steps must now be taken to make the rouble convertible "stage by stage," building on its sta-ble rate against the dollar in the past few months. He said. however, that the state must be actively involved in the management of the economy instancing the need to develop an efficient mechanism of land sales following his decree last week allowing Russians to buy and sell land

Also speaking to the enlarged meeting of the cabi-net with regional leaders, Mr

Balladur warns Moscow

France's prime minister, Mr Edouard Balladur, said yesterday that President Boris Yeltsin's Russia had a big role to play in Europe's future but made it clear there should be no retreat from democracy, Reuter reports from Moscow.

Mr Balladur told a Moscow news conference that Mr Yeltsin's leadership "incarnates democratic legitimacy" and France's goodwill would embrace the parliament which emerged from next month's elections.

Mr Balladur was the first western head of government to visit Moscow since Mr Yeltsin used tanks to crush an armed revolt on October 4 in a dramatic showdown with hardline deputies who had blocked his market reforms. The French prime minister used his two-day visit to press his country's initiative for a proposed pact on European security which received backing from the uropean Community at the summit in Brussels last week. He said that he had told Mr Yeltsin and the prime minister, Mr

Viktor Chernomyrdin, that Russia would be "an essential part-ner" for the success of this initiative. Mr Balladur was at pains to say nothing that could be construed as interference in the run-up to Russian elections on December 12.

prime minister, said that Russia now had the "blueprint for a market economy" - and forea slowing of inflation and the fall in production in the coming months.

Figures in a report considday pointed to a continued fall in Russia's gross domestic product, by 11 per cent in the first nine months of 1993 compared with the same period the previous year. Industrial production fell by 17 per cent and capital investment by 10 per cent - while inter-enterprise debt grew to Rbs11.300bn and national income fell by 15 per cent - an index of the rapid

rise in poverty.

The budget deficit for the year is put at Rbs17,000bn. with a fourth quarter deficit of Rhs5.500bn - Rbs4,500bn of which will be financed by Centrai Bank borrowing and the remainder by the issuing of government bonds. Mr Chernomyrdin, however, said "the worst is now over," and inflation - now around 20-25 per cent a month - should come down to 16 per cent by next March and end next year at around 5 per cent. The trade surplus for this year is expec-ted to be around \$21bn, after drastic pruning of imports.

Both the president and the prime minister criticised without naming names - memnow engaged in election cam-paigns as leaders of their vari-ous parties. Mr Chernomyrdin. brusquely denying any interest in politics and any intention to support one or other party, said that ministers wishing to campaign should either do it in their free time or - like Mr Dergel Shakhrai, the deputy prime minister - leave the government to work the campaign

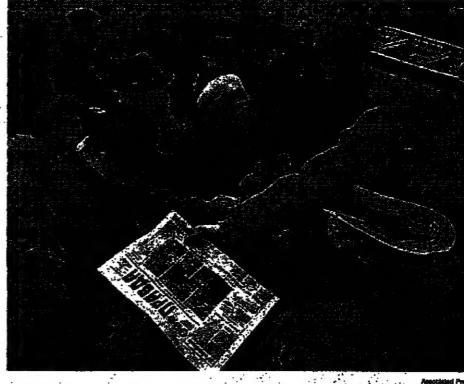
Pravda returns to the struggle

"WE'RE BACK," said the headline over the front-page editorial in Pravia yesterday. After a month's ban, the Soviet Union's most famous paper. founded on May 5, 1912, by Lemin, is out again - and, says the leader: "We're not changing our convictions."

If not its convictions, the paper has at least changed its tactics. Once absolutely required reading for 20m Soviet communists, it must now compete in a raucous marketplace of publications in which its pre-ban circulation of just under 500,000 will be hard

It has had to compromise with the authorities to get back on the streets. The former. hardline editor, Mr Gennady Selezney, has been sent in his place his former deputy and one-time New York correspondent, Mr Viktor Linnik - a clever man of 49 who has in the past year attended semi-nars in Moscow on press free-dom and who said flatly yesterday: "We are against extremism and violence of all kinds - on the left as well as on the right."

Nothing illustrates that better than its attitude to the parliamentary elections called for December 12. In a front-page article, Mr Viktor Trushkov



Muscovites gather in the streets to buy Pravda as it went on sale again yesterday after its ben

tions in the hope that the would not turn out was renwould not turn out was rendered futile by the presidential decree establishing 25 per cent as the minimum turnout, down from the previous 50 per cent.
"This means that for opposi-

tion supporters to boycott assembly (parliament) would be absolutely in the pocket (of the president), and it would have no deputies committed to defending the interests of the

to the elections in December." Pravda, switching sditors and eschewing extremes, is the only one of the banned papers to return the nationalist (and more extreme) papers Sovy-etakaya Rossiya (daily) and

the complaints of foreign human rights organisations against the Russian government's bans, organisations it would it its heyday, have dismissed as interfering in the internal affairs of the Soviet A letter from Mr Jiri Leber of the New York-based Helsinki Watch Committee, expressing concern on the press bans, is displayed on the front page and in the foreign section, cor-

Den (weekly) are still banned as is the popular "600 Seconds"

television programme pres-

ented by Alexander Nevzorov who has turned up among the leading candidates of the right-

wing Constitutional Demo-

cratic party. While the main Communist party will take

part in the elections, many of

the smaller Leninist and Com-

munist groups, some of them

Pravda's reappearance has

many ironies - none sharper

than its eager endorsement of

still hanned, have refused.

on the support for Pravda's freedom to publish.
With only four (broadsheet) pages, a restricted circulation, short of funds and newsprint and with Lenin no longer the returned not just to the streets, but to its origins in the opposi-tion and in struggle. But - for now - within constitutional

respondents from Paris.

Vienna and Washington report

Rouble zone faces more breakaway pressure

THE disintegration of the Russian rouble zone appeared to be gathering pace yesterday after officials in Uzbeki-stan sald they intended to issue a joint currency with Kazakhstan in an attempt to merge their economies and

vice-premier, speaking in Tashkent, said that falks with Moscow to create a new rouble zone were now "deadlocked," forcing the republic to develop its own currency.

try spokesman, was quoted as saying.
The Kazakh government in Alma Ata
yesterday denied that any concrete
plans had been agreed with Uzbekistan

for a new currency.

Earlier this week Turkmenistan, the gas rich central Asian republic, became the fifth republic to formally issue its The conditions of Russia are enslaving. Uzbekistan and Kazakhstan are now planning to introduce a new curnow planning to introduce a new curnow planning to introduce a new cur-

Croats and Serbs talk in Norway

By Laura Silber in Belgrade

CROAT authorities and Serb separatists have been holding secret talks in Norway on brokering a ceasefire, a Serb offi-cial revealed yesterday.

Mr Hrvoje Sarinic, Croatian security chief, headed the Croatian delegation, and met Mr Goran Hadzic, "president" of Krajina, and his "foreign minister", Mr Slobodan Jarcevic, at the three-day talks, said

Observers immediately began drawing parallels tween the clande tiations and the Palestinian-Israeli talks held in Norwegian farmhouses, which ended in a

milestone peace agreement.
But Serb officials yesterday said the two sides remained far apart despite leaked reports that Mr Franjo Tudjman, the president of Croatia, would meet Mr Siobodan Milosevic. his Serbian counterpart, in Oslo later this week.

"We can gain absolutely nothing, because at this time neither side is willing to back down," said Mr Branko Filipovic. "foreign ministry" official of Krajina, the self-styled third of Croatia, cutting the republic in half and isolating Croatia's southern Dalmatian coast from the country's heartland.

"Our [Serb] participation can be treated as a bilateral meeting between two sovereign states," said Mr Filipovic. Lord Owen and Mr Thorvald Stoltenberg, the international mediators, have recently stressed that the resolution of the Serbo-Croat conflict is a pre-requisite to ending the war in Bosnia.

Get-rich game nears end in Transylvania

ION Popescu is something of an exception in the Transylvanian city of Cluj, home of Caritas, the Romanian moneyspinning scheme which has drawn in more than 3m investors and created a new class of

Lei millionaires in the town. "I sincerely hope Caritas col-lapses and soon. It's a terrible thing. I'm a private businessman and I can't get anyone to work for normal salaries any

" he says. Mr Popescu may not have long to wait.

For two days this week, Caritas, which promises investors a seven-fold return on their money in around 100 days. failed to pay out to depositors for the second time in a month. These days, not even the

miners, who earn on average four times as much as other Romanian workers, are sinking much cash in the scheme. In the summer it attracted tens of thousands of new investors each week.

Rusiness is already slack in the mining town of Petrosani, some 300 km south of Cluj. where Caritas's owner, Mr Ioan Stoica, last week opened a new branch with the help of Mr Miron Cosma, the miners' leader who led his men on antireform riots in Bucharest in

Most in Cluj say they hope the scheme will continue but few seem worried by the pros-A local lawyer says: "The town is booming. People here are content. They have already made a lot of money out of Caritas because they started

playing last year." Analysts attribute the popularity of the game to Romania's deteriorating economic situation which has caused real incomes to drop by 40 per cent since 1989 and annual inflation to surge to nearly 300 per cent.

Others say Caritas is a product of incomplete reforms in a country where conservative politicians have held up the creation of a stockmarket or a

so much money they won't reform and market initiatives once the inevitable collapse comes. The country's leaders explain their failure to act on inadequate regulations.

But opposition politicians say the government, a weak left-wing minority, has not intervened for fear of losing the support of the Romanian National Unity party (RNUP), upon which it relies to stay in power. Mr Gheorghe Funar. the mayor of Cluj, is also RNUP president and one of Caritas's most enthusiastic backers. He has often appeared with Mr Stoica in recent weeks to drum up support for the flagging scheme. The prosper-ity that Caritas has brought many to Transylvania, Romania's ethnically-mixed western

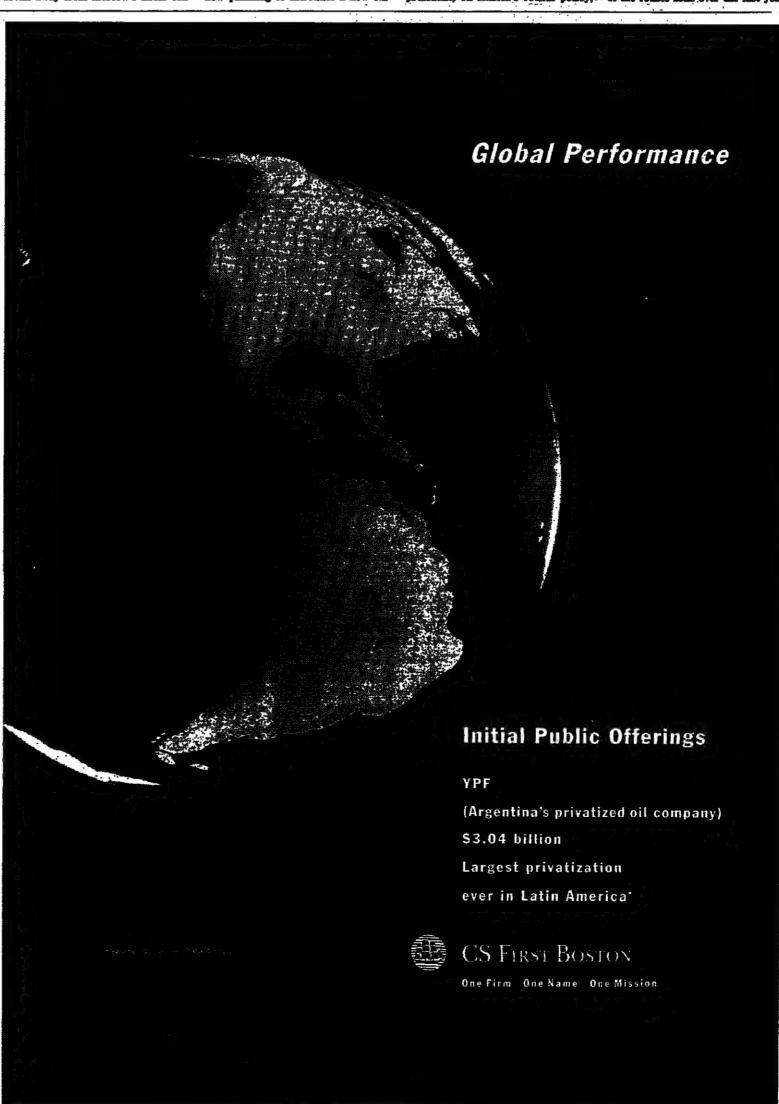
However, Mr Funar's political opponents hope the scheme's collapse will provide a backlash against the mayor, for through Caritas Mr Funar has shown he can provide solu-tions for the people of the prov-ince. "People there have already been enriched by the scheme. It's the laggards in the

province, has boosted the mayor's popularity.

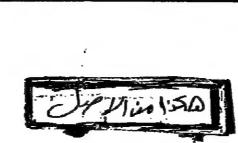
rest of the country who put their money in later who will Strasse 3s. 63263 New-Isenburg (owned by Hürrtyet International).
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Violence and disillusionment mark Colombia polls

Politicians duck bombs and bullets while they battle to beat distrust among voters over corruption, writes Sarita Kendall

POLITICS is not a safe profession in Colombia. Yesterday the campaign offices of the governing Liberal party's presiden-tial candidate was dynamited, injuring one person. Last month, guerrillas blew up an electoral registry office and a political party camnaign office

Over the last five years, five of the top six presidential candidates in next May's presidential election have variously survived shootings, a kidnap, a grenade attack and bombings. Politicians acknowledge that it is too dangerous to campaign in some parts of the country. On top of this, Colombia's 14 pres-

idential contenders are having a dif-ficult time overcoming disillusionment with party politics and

So many candidates might be expected to produce wide-ranging programmes and choice, but the early stages of the campaign have been marked by moral skirmishes rather than debates about violence. social problems or the economy. The 1994 electoral calendar is a heavy one for apathetic voters: conional elections take place in March and Colombians will vote for president in May. If no candidate polls more than half the ballots there will be a run-off between the winner and runner-up. Then local government elections - which excite much greater enthusiasm now that budgets and responsibilities have been decentralised - follow in October.

The two candidates leading the opinion polls by a big margin - Mr ter for economic development at the

Andres Pastrana of the Conservative New Democratic Force and Mr Ernesto Samper of the Liberal par-ty - will probably fight it out in the second round of the election. Both are under 50 years, firmly entrenched in the political establishment and neither would repre-sent an abrupt change of direction. Mr Pastrana, the son of a former Conservative president, was the first elected mayor of Bogota and is now a senator. Keeping his distance from the campaign scramble - he has yet formally to declare his candidacy - appears to have done Mr

Pastrana's popularity no harm, though some commentators are becoming impatient with his reti-Although Mr Samper was minis-

beginning of President Cesar Gavir-ia's government he has criticised the speed of the liberalisation pro-cess. His emphasis on jobs and social spending does not, however, imply an about-turn in economic

As a strong party man Mr Samper has had the time to build up a hig parliamentary and regional follow-ing. But in a country where a third of the mayors and more than 15 for irregularities ranging from misuse of public funds to collaboration with the guerrillas, this is not always an advantage.

A few weeks ago Mr Samper used the "ethical code" developed for his campaign to expel three congress men from his movement because they had attended a political meeting with someone accused of drug the potential electorate voted. There-

Despite much talk about clean campaigns and the vetting of contributions, the incident took most people by surprise. Not only did Mr Samper risk losing some 50,000 votes controlled by the congressmen but, politicians asked anxiously, where would such purges.

On the outskirts of Bogota, in the poorer barrios of Usme, people are sceptical about candidates and voling procedures. Neglected by the local administration, the inhabitants took matters into their hands and organised a strike in June. As a result, some teachers have been appointed, water pipes put in and

head of the secret police, is one of of-holes filled. them: People want change
"Last time about 20 per cent of Drug trafficking has brought a dis-

platforms.

tortion of moral values. We have to fight this. The surrenders and negoare two positions - either people vote because they are effered houstiated sentences have been a failing subsidies or school places for their children or some other bribe.

Like most of the candidates, Gen Maza is against the legalisation of drug use or trade. But the issue is being debated more frequently as successive administrations fail to find other solutions and as the infiltration of key state institutions by traffickers is exposed.

Without doubt, the biggest dises-ter of President Gavirle's four-year term was the escape from jail last year of Pahlo Escobar, the leader of the Medellin cocaine cartel, Any candidate with an outside chance must be hoping that the drug chief will be dead or back in prison before the new presidential term

States win approval for welfare reform

By George Graham in Washington

THE US administration has given the go-ahead for pilot ans to reform welfare benefits in Wisconsin and Georgia that could serve as experiments for the broader overhaul of the welfare system promised by President Bill Clinton.

cut off cash payments under me, known as Aid to Families with Dependent Children, after two years, although it would continue to provide food stamps and health coverage. The pilot scheme will be started in two counties in 1995. Republican Governor Tommy Thompson has made Wisconsin a pioneer in welfare

reform, with experiments such as Schoolfare, cutting payments to teenage mothers who

do not go to school.

In Georgia, the state does not plan a time limit on benefits, but wants to reduce welfare payments to able-bodied adults who refuse offers of work and deny increases in payments to families on long-term welfare

The federal government, which has to grant waivers to states wishing to depart from normal US welfare rules, is also considering proposals from Florida and Vermont for time limits on welfare benefits. and White House officials have said that a two-year limit will be a central feature of Mr Clinton's own welfare reform

The promise to "end welfare as we know it" was an impor-tant thems in Mr Clinton's election campaign. Although he named a welfare reform task force in June, the reform has been held up by delays in passing the budget and is now expected to be delayed until the ambitious reform of the healthcare system has passed

Clinton presses Congress for gun controls

PRESIDENT Bill Clinton pressed the US Congress yesterday to impose a waiting what millions of Americans believe is the No.1 problem in their lives," the president said. period before handgun pur-chases as "the first step" to controlling violent crime, AP reports from Washington. 'I think it's going to be very difficult for the Congress to

He appeared with Mr Jim Brady, former White House press secretary to President Mr Brady and his wife, Sarah, are leaders of Handgun Control, an anti-gun lobbying group. He was badly wounded in the 1981 assassination Mr Brady's espousal of handgun controls had left him estranged from the Republican administrations of Mr Reagan and Mr George Bush. He was welcomed back to the Oval Office he once frequented to

for the Brady Bill, which calls for a waiting period on handgun purchases of five busines days, when a background check would be required. Mr Clinton predicted the bill would pass this year. It passed a House Judiciary subcommit-

judiciary committee would plete work on it this week. He said that it would be hrought up in the Senate as a separate issue, apart from a crime bill, "so that no one will be able to hide behind other issues and try to find clever ways to fillbuster it".

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Pained Senate weighs harassment charges

Or they don't vote at all, because

there's no real difference between

the candidates," said Mr Nelson Cruz, a founder of the Usine civic

The murders in the last campaign

of two left-wing presidential candi-

dates and Senator Luis Carlos

Galan, who was expected to win the

election, fuelled distrust of the pro-cess. At least four candidates are

standing on largely anti-corruption

General Mignel Maza, former

FOR the second day running Senator Bob Packwood, the Republican from Oregon, yes-terday tried to persuade his colleagues in the Senate to accept a compromise whereby he would hand over some, but not all, of his possibly incrimi-nating private diaries.

The Senate ethics committee is seeking approval for a sub-poena for all the diaries, dating back to 1969, as part of its investigation into charges that Mr Packwood sexually harassed more than 25 women. Senator Richard Bryan of Nevada, Democratic chairman

last week that extracts perused so far suggested Mr Packwood. may also have engaged in other improper but unspecified Mr Packwood's compromise

would make available all the diaries relevant to the harassment accusations and to the additional charge, reported in an Oregon newspaper over the weekend, that he tried to per-suade lobbyists to hire his former wife. The rest would be turned over to an independent arbiter who would pass on what he considered relevant.

Far more notable than the substance of Mr Packwood's

embarrassment, even pain, Senate floor has caused his saddened and grim colleagues. Leaping constantly to his feet to interject, sometimes incoherently and contradictorily, he has given the appearance of a man at the end of his emo-

tional tether. Privately many wish Mr Packwood would simply resign and go away, or that the voters of Oregon would try to recall him. But in a long political career as a quintessential Republican moderate, the sena- 🚅 tor has always been known as a man to fight his corner, be it politically or personally.

He was narrowly returned to a fifth six-year term a year ago. Shortly thereafter the Washington Post published details of the sexual harassment accusations against him. Mr Packwood initially blamed his probems on alcohol but has shown no signs of resigning his seat. In fighting back he has inti-mated knowledge of extra-marital affairs by other members

There has been some sympa-thy for his contention that the ethics committee staff should not be given licence to "rummage through" his personal papers and some criticism of Mr Bryan for having spoken of possible criminal charges.

But the sentiment of the Senate seems clearly behind its own ethics committee and its arguments for a subpoena. Senator Barbara Mikulski, the Maryland Democrat and a committee member, maintained with some force that "we are not the committee on voveur-

Senator Patty Murray, the ual harassment charges against a sitting senator were cially after the embarrassing spectacle of the Senate's grill ing of Professor Anita Hill two on the nomination of Judge Clarence Thomas to



Venezuela lets foreign bankers in

By Joseph Mann in Caracas

FOREIGN investors will be allowed a place in Venezuela's financial system in the most sweeping legislation the coun-try's banks have faced in 20

yesterday signed a law reform-ing banking and finance.

The reform, which takes effect from the start of next year, is the last big element in an ambitious economic adjust-

ment programme initiated in early 1989. Among the main provisions in the new law are:
• Foreign financial institutions may hold majority stakes in Venezuelan banks.

 The Superintendency of Banks, the government super-visory agency for financial institutions, is given independence and new authority.

Stiffer capital requirement

for banks are established. • Financial institutions are provided with a modern legal framework.

Government supervision has until now been weak and Venezuela's financial system has been hampered in its attempts to develop full-service banks. In the 1970s, equity investment in banking by non-Venezuelans was limited to a maximum of 20 per cent, and several inter-national financial institutions sold their shares in local

Some Venezuelan bankers opposed the reform, calling for

Law Lords back Jamaican Death Row prisoners

Legal Correspondent

MORE than 100 prisoners on death row in the Caribbean could have their sentences commuted to life imprisonment following a ruling by seven Law Lords in London

yesterday.

The British judges sitting as the Judicial Committee of the Privy Council, which remains the final court of appeal for 16 Commonwealth countries including Jamaica, allowed the appeal of two Jamaicans, Mr Earl Pratt and Mr Ivan Morgan, who have been under sentence of death for murder since 1979.

to life imprisonment the judges said it was "an inhuman act to keep a man facing the agony of execution over a long extended

period of time". On three occasions the death warrant had been read to the men and they had been removed to condemned cells next to the gallows. This alone was sufficient to bring home to people of normal sensitivity and compassion the agony these men had been through over 14 years, the judges said.

There was "an instinctive revulsion" against the prospect of hanging a man after he had been held under sentence of death for many years.

on death row in Jamaica who for more than 10 years and 82 prisoners who have been awaiting execution for more then five years.
The Law Lords continued:
"A state that wishes to retain

to take place more than five

should be referred to the

Jamaican Privy Council with a recommendation that the sen-

tence should be commuted to

life imprisonment.
There are now 23 prisoners

capital punishment must accept the responsibility of ensuring that execution follows as swiftly as practicable after sentence, allowing a reasonable time for appeal and consideration of reprieve."

The delay in the present case was "wholly unacceptable" but would never have reached anything like its present dimensions if the governor general and the Jamaican Privy Coundl had reviewed the case early in 1981 after the prisoners application for leave to appeal

The Law Lords said they were conscious that the Jamaican government faced great difficulties with a high murder rate and limited financial resources.

But they warned: "Nevertheless, if capital punishment is to be retained it must be carried



Traditions of the control of the con

'Hello, is there anybody there?' said the Future. You can ignore the future but it won't go away. A truly integrated Europe is coming, in one form or another, sooner or later. Of this we can all be sure. Indeed in many ways it is already here. There is for instance already a newspaper for Europe. It gives you a European perspective on business, politics, society, culture and all that matters. It is published weekly, and read widely. For pleasure and for business. For information and for stimulation. Is there anybody there? Yes, Yes, Yes, we are here in our millions. Europe is changing. Are you standing still?

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iers "



World Bank, IMF support | Burundi economic reform package

Kenya may seek debt rescheduling

MR MUSALIA Mudavadi, Kenya's finance minister, warned yesterday that Kenya might have to reschedule part of its \$7bn (£4.7bn) external tion of \$700m in arrears resulting from the suspension of for-

Mr Mudavadi raised the probability of debt renegotia-tions as the World Bank and International Monetary Fund announced their support for a three-year programme of eco-nomic reforms designed to mend Kenya's estranged relations with the international

The IMF's endorsement of is critical for the success of a donors' conference in Paris this month which will discuss the renewal of financial aid. However, there were no immediate signs that the IMF was preparing to resume financial

essistance to Kenya. It would be the first time Kenya has sought to refinance its foreign obligations with the Paris Club of creditor nations. Kenya took pride on its repay-ment record until donor governments, irked by corruption and economic mismanagement, suspended balance of payments aid in November 1991, worth

The arrears component of our foreign debt may require rescheduling," Mr Mudavadi said in an interview with the Financial Times. Apart from the issue of arrears, Kenya also faces a large balance of pay-ments gap due to its trade deficit and heavy debt servicing

Mr Mudavadi declined to put a figure on the balance of payments shortfall, which will form the basis of Kenya's financial assistance. To avoid

said he was not going to Paris with a shopping list of

But given the central bank's foreign exchange reserves of just \$260m, private-sector economists believe Kenya is heading for a balance of payments crisis unless donor governments are prepared to resume

a measure of financial support. Mr Hiroyuki Hino, head of the IMF delegation to Kenya, said the economic programme which had his blessing would be presented at the donors' meeting in Paris.

The policy framework paper outlines Kenya's commitm to cutting the budget deficit. curbing inflation from its present 50 per cent a year, and rooting out corruption in the state sector.

will be an important factor in the discussions with donors, but by no means the only one. Donor governments have recently voiced concern over the rising level of ethnic violence in Kenya, and the government's apparent indifference to the plight of thousands of displaced peasants in the Rift Valley.

There are also concerns despite recent government moves to clamp down on financial improprieties in the banking sector, not a single wrongdoer has been brought to jus-tice. Mr Mudavadi said it was the government's intention to investigate all cases of corruption and to bring them to justice. But his priorities were to seal the loopholes that had

This was the aim of all his recent reforms, including the abolition of import licences, the merging of the official and market foreign exchange rates and the deregulation of the maize trade which was previously a state monopoly.

premier out of hiding

MS SYLVIE Kinigi, prime minister of Burundi, the East African country's top official since President Melchior Ndadaye was killed in a coup, emerged from 12 days of hiding at the French embassy yester-day to hold talks with army chiefs, Reuter reports from Bojombora.

"She came out of the embassy guarded by about 20 French soldiers," a witness

Ms Kinigi has asked the United Nations and the Organisation of African Unity to send in about 1,000 foreign troops to belp protect her and government members. The army has rejected this.
The OAU rushed a special

envoy to Burundi's capital, bura, for further talks with the army high command. The UN meanwhile appealed for \$17m (£11.2m) to provide urgent food and shelter to 675.000 Burundi refusees who have fled to three neighbour-

The refogess, mostly women, children and elderly from the majority Hutu tribe, comprise more than 10 per cent of the country's population, says the UN High Commissioner for

Warning over Somalia pullout

Ethiopia and Renya said yes terday that a pullout of US troops from Somalia before a peace settlement could plunge the country back into anarchy, Reuter reports from Nairobi. Kenya's President Daniel

arap Mol and Ethiopia's Presi-dent Meles Zenawi, ending two days of talks in Nairobi, called for an urgent African solution Washington has 10,000 troops in the UN-led multinational force of about 30,000, sent to Somalia to disarm rival war-

plans to pull troops out by Mr Robert Oakley, the US envoy in Mogadishu, began meeting cian leaders yester-

lords. President Bill Clinton

National party ahead in NZ poll

NEW ZEALAND'S ruling National party appears increasingly likely to win Saturday's general election, aided by a surprising late run from the third-ranking Alliance, according to the last national opinion poll to be conducted

before the election.

The Haylen polling organisation yesterday confirmed other recent polls which showed that the Alliance is attracting votes from Labour supporters, reducing its prospects of victory. Up to a fortnight ago, Labour and National were attracting similar levels of support at around 40 per cent. Mr Mike Moore, the Labour leader,

worried by the loss of support, this past Labour government. They are week switched the focus of his campeign to fight on two fronts: attacking both the government and the Alliance. The Alliance is led by Mr Jim Anderton, a dissident former Labour MP who as party president orchestrated Labour's landslide victory in 1984 before resigning over its move to the

Mr Anderton stitched together an apparently unlikely consortium of oppo-sition groups, including left-wing trade unionists, former Labour party members, the Green party, the Social Credit led by Mr Wiparty, and a Maori opposition group former Maori Mana Matahaki led by Mr Mat Rata, a to 9 per cent. former Minister of Maori Affairs in a

united in wanting to overturn the "monetarist" reform programmes followed since 1984 by both National and

Labour parties in government.

The poll showed that National had increased its lead by one percentage point to 39 per cent. Labour was down two points to 32 per cent as support grew for the Alliance, especially in the key marginal Auckland seats which are expected to decide the outcome of the election. The Alliance was up one point to 17 per cent, and New Zealand First, led by Mr Winston Peters, a dissident former Maori MP, was down one point Mr Moore remained the preferred

port. Mr Anderton was up five points to 15 per cent to match the prime minister, Mr Jim Bolger, while Mr Peters had

14 per cent support.

The poll also showed that voters were moving towards favouring a continuation of the Westminster style first pastthe post electoral system ahead of a referendum being conducted along with the election. Support for that system had increased to 41 per cent, while that for the German mixed member proportional option was down slightly at 46 per cent. This time last year only 20 per cent of voters favoured the UK method while 72 per cent wanted the German

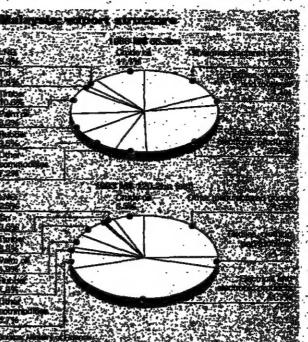
Malaysia: furious growth continues

Kieran Cooke looks at the south-east Asian nation's optimistic outlook

continues to expand at rates western On Friday Mr Anwar Ibrahim, the finance minister, pres-ented the 1994 budget and forecast that Malaysia's gross domestic product was likely to grow by 8.2 per cent this year. "With this growth, the Malaysian economy would have experienced growth rates of 8 to 9 per cent for six successive years, an attainment which has never been achieved before," said Mr Anwar.

Officials say Malaysia is on course to achieve its aim of becoming a fully industrialised. country by the year 2020. "We are moving into a period of sustainable economic development," said one official. "To achieve our goal we aim for 7 per cent growth in each of the next 27 years." While some might doubt that

such high growth can be main-tained, Malaysia is optimistic. The Kuala Lumpur stock market, which has risen more than 50 per cent since the beginning of the year, largely due to a massive influx of foreign funds, reached a new all-time high in the aftermath of Mr Anwar's budget speech. Despite a recession in many of its markets, Malaysia's export earnings are expected to grow by 16 per cant to M\$120bn (US\$47bn) this year, compared with a 10 per cent rise in 1992. While Malaysia still runs a substantial deficit in its ser-



vices account, a strong export performance is expected to result in a surplus in the balance of payments current account, the first since 1989. Strong economic growth has brought an improvement in national finances. Foreign exchange reserves rose from M\$47.2hm at the end of 1992 to over M\$50bn and the country's debt service ratio has gone down to 5.2 per cent from 5.7

in development spending in the 1994 budget, the govern-ment says an increase in revemuss due to strong economic growth means that Malaysia is expected to achieve a balanced budget for the first time. Meanwhile, there is zero nemployment in most parts of the country, annual per capita incomes have risen in the last 12 months by 11 per cent to

M\$8,350 and the overall infla-

cent early last year. infrastructure bottlenecks. As in other fast-emerging econ-ounles such as Thailand and sia, Malaysia's roads are jammed with vehicles, ports are congested and its power industry lacks capacity.

constraints, especially in power and transport, have curred too often and are now being addressed as a matter of urgency," said Mr Anwar in his budget speech Critics say that by not tackling these problems sooner, the govern-ment has put at risk further economic growth.

The other main problem area vestment. Much of Malaysia's recent economic growth is due to the government's success in luring investments

Attracted by the country's political stability and its relatively low wages, multina-tional companies have poured millions of dollars into electronics and other industries. In 1990-91 foreign companies invested about M\$17bn in Malaysia's manufacturing sector, representing well over half total investment in the first seven months of this year foreign investments fell to

In part the fall-off is because of the tough times being endured by many cashstrapped foreign companies.

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> published time-in-transit list And for those who are still in doubt that this really is the new Europe,

tion rate has dropped to 3.7 per But it is also because Malaysia cent compared with over 5 per is facing stiff competition for investment from countries But fast growth has resulted - such as China and Vietnam.

"Every country in this region is trying to offer the best tax package for investors and we cannot be left behind," says Mr Anwar. The 1994 budget cuts corporate tax by two percentage points to 32 per cent, with a further two-point reduction in 1995.

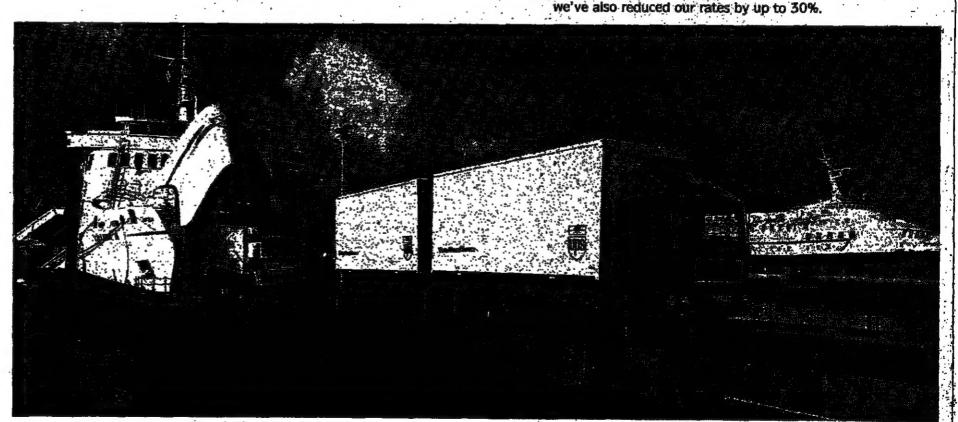
Under the present five year plan (1991-95) the government's on foreign investment, with domestic concerns playing a greater role. But this has not happened, even though many Malaysian companies are cashrich Domestic investment fell by more than 50 per cent to M\$2bn in the first seven months of this year. The 1994 budget includes a number of tax and other incentives to ncourage more participation in the economy by domestic

Malaysia's development is also being affected by skills constraints.

A comprehensive overhaul of the education system is planned, but there are those who wonder whether the government has delayed too long

in taking action.
"Short-term, Malaysia will continue to be a success story," said one local economist. "But we've really only made it to the first development plateau. It's going to be a lot tougher from now on."

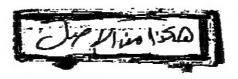
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Labour faces setback in Jerusalem

By Julian Ozanne in Jerusalem

ISRAELIS voted across the Country yesterday for new municipal councils amid signs that the Labour party of Mr Vitzbak Rabin, prime minister, was heading for an electoral setback in Jerusalem in the first test of public opinion since the signing of the Israeli-Palestinian peace agreement Elsewhere in the country,

bowever, political analysis pre-dicted Labour would marginally increase its control over local government, reducing the power of the right-wing Likud party which controls more councils than Labour.

In Jerusalem, centre-point of the bettle between Labour and Likud, Mr Teddy Kollek, 83 year-old Labour mayor who has headed the Holy City's administration for 28 years. was last night facing the pros-per of being defeated by his challenger, Mr Ehud Olmert. Mr Olmert, a Likud member of parliament who opposes the peace accord, delivered a lastminute blow to Mr Kollek by cutting a deal for the support

of the city's ultra-orthodox

community. Under the deal an

ultra-orthodox candidate, Mr

out of the race and swing his

Votes behind Mr Olmert.
Forecasters had said that to win re-election Mr Kollek would need a heavy turnout from the city's 80,000 Palestinians living in Israeli-occupied Arab east Jerusalem But israel radio said yesterday afternoon that turnout among Palestinian Jerusalemites was less than 1 per cent.

Mr Kollek, has been a standard-bearer of peaceful co-existence between Arabs and Jews. Mr Ohnert has campaigned on an aggressive policy of Jewish settlement throughout Jerusalem including in neighbour-hoods which under Mr Kollek were reserved for Palestinians. Palestinian politicians said yes-terday a defeat for Mr Kollek would seriously set back talks between Palestinians and Israel on the future of the Holy City, due to begin within two years. But many Jewish voters think Mr Kollek is too old to lead the city again.

In Tel Aviv Mr Ronni Milo seemed likely to keep Israel's commercial capital under Likud leadership.

Mr Rabin has said he views the elections as a vote of confi-Meir Porush, agreed to drop process.



Jerusalem's Mayor Teddy Kollek gesturing to reporters after casting his vote in yesterday's election

Palestinians suspend talks

TALKS between Israeli and Palestinian peace negotiators broke down yesterday over the extent of Israeli troop withdrawal from the occupied Gaza

The Palestinian team, led by Mr Nabil Shaath, said it was suspending talks with Israel until next week and would consult Mr Yassir Arafat, chair-man of the Palestine Liberation Organisation, before resuming the talks on the maps and plans for the with-details of implementing the drawal and redeployment of its Israeli-Palestinian peace accord.

The disagreement over the extent of Israel's military withdrawal from Gaza, due to begin in less than six weeks, is the first real snag in the talks which are supposed to con-clude a protocol on Israeli withdrawal from Gaza and the West Bank area of Jericho by the middle of next month. On Monday Israel presented

from Amman's Third Dis-trict faced nearly two

thousand voters in the ball-

room of the Philadelphia Hotel

and were quizzed for three

hours on their campaigns lead-

ing up to Jordan's general elec-

en's rights to corruption, from

Jordan's economic reform pro-

gramme to its education sys-

tem. The candidates included

the audience vote on Novem-

ber 8. Most have already made

1989, candidates ran as inde-

pendents for the 80-member

lower house of parliament.

This time round more than 15

political parties and 555 candi-dates are officially registered

to contest seats in the coun-

try's first multi-party elections

voters are seemingly spoilt for

The kingdom is festooned

In Jordan's last elections in

Questions ranged from wom-

tion next Monday.

former ministers.

up their minds.

since 1956.

soldiers, which leaves control of several roads used by the 5,000 Jewish settlers in Gaza in Israeli hands. Substantial Israeli forces would also remain in the settlements. on the beaches and on the roads even after a withdrawal was

pleted by April. There would be full Israeli control over the border cross-

supposed to have been com-

plans to ensure the protection of Israeli settlers moving through the Gaza area.

als contravene the peace agreement. They are particularly unset at Israel's insistence that it maintain a military presence over roads leading into the settlements which pass through

After yesterday's breakdown Palestinians said they would demand complete Israeli troop

Spanish in Jordan's wider choice Palestinian venture

By Tom Burns in Madrid

BANESTO, the big Spanish commercial bank, said yesterday it had formed a \$60m (£39.7m) joint venture with Israeli, Palestinian and Moroccan groups to fund the Gaza strip.

The venture, called Salam 2000, brings the Spanish bank together with Koor, the Israeli industrial and financial group, as well as Morocco's powerful Omnium Nord Africain (ONA) holding and with Palestinian investors lead by Mr Jawid Ghossein, the head of the Palestine National Fund, a para-governmental body that acts as the finance ministry of the Palestine Liberation

Organisation. Banesto, which did not disclose details of the shareholding in the joint venture, said Salam 2000's initial project would be to finance a cement factory in an unamed location. The bank said it intended to tap the US markets for a further \$150m

It described the move as a oneering investment in the Israeli-occupied territories where the Palestinians are being granted self-rule.

lack of enthusiasm. Rarlier this year Banesto Most people blame the conestablished close relations with JP Morgan, the US investment bank which is troversial new election law - announced by King Hussein helping the Spanish group to in August - which changed the raise its capital base through rights issues aimed at US Under the old system, the num-

James Whittington on the kingdom's first multi-party election

narrows the debate

the number of seats in the district. Thus voters had two or three, and in one constituency, nine votes to play with.

This suited most candidates an ex-prime minister and three because if they lobbied hard enough and obtained the sup-It was a rare display of politiport of a majority of voters, cal debate in a region not noted for freedom of expreseven as the second or third choice, they stood a chance of sion. But it is unlikely to have being elected. This time round changed the way members of they have to be the first and

The effect has been a narrowing of political debate. The electoral change is purposely weighted in favour of those candidates with strong tribal affiliations and influential families, the bedrock of King Hussein's faithful. Their votes will be won out of obligation and loyalty, which take precedence over choice or preference in

Jordanian society. As a result, most candidates with posters, banners and camare campaigning to widen their paign leaflets. And the 1.5m private network of contacts on a limited range of local and personal issues. Manifestos choice. But there is a distinct enerally consist of little more than vacuous slogans calling for national unity, Arab unity, a free Palestine, and democ-

racy for all. Campaigns are conducted in homes, over the telephone, and

tribal and family figures. Most of the parties have cho-sen to sell the attributes of individual candidates rather than the party itself. The expected losers are the new political parties which are largely based on woolly ideologies rather than useful tribal

connections. The exception is the Islamic Action Front (IAF), the political wing of the Moslem Broth-erhood, which backed numerous candidates in the last election and won 21 of 80 parliamentary seats. This time the IAF has 36 candidates standing in 16 of 20 districts.

Its leaders say the new electoral system is weighted against them. Last week they met the prime minister to complain that their campaign was being targeted by the government. Until last weekend. when the High Court overruled the minister of the interior, they were banned from holding large-scale public rallies, and they say that their supporters in the civil service have been forbidden to cam-

paign for the party.
The likely outcome is that the new parliament will be dominated by pro-government and tribal MPs. The expected decrease in the number of suc cessful fundamentalist candidates would result in less opposition to government policie And King Hussein would be able to continue with his agenda without worrying about a rowdy house of elected

\$1.8bn issue launched to rebuild Beirut

By Mark Nicholson in Cairo

MIDDLE EASTERN investors were yesterday invited to subscribe to one of the region's biggest public share issues and in effect to buy a stake in Lebanon's future - with the launch of Solidere, a \$1.8bn (£1.3bn) company designed to rebuild Beirut's city centre. Subscription will be open to

Lebanese and other Arab nationals on a scale of priorities determined by the company. The offer, of 6.5m shares 10. "It is probably the largest private launch in the Middle."

Solidere's general secretary, said yesterday.

A successful launch would

provide the biggest private investment tranche towards the ambitious rebuilding plans of Mr Rafik Hariri, Lebanon's billionaire businessman turned prime minister. Solidere's city centre project is a pivot of Mr Hariri's 10-year, \$13bn programme to revive Being as the cosmopolitan hub of trade, finance and recreation it was before the 17-year civil war erupted in 1975.

The government already has aid pledges of more than \$10n for specific rebuilding projects

Fund, Arab institutions and European countries.

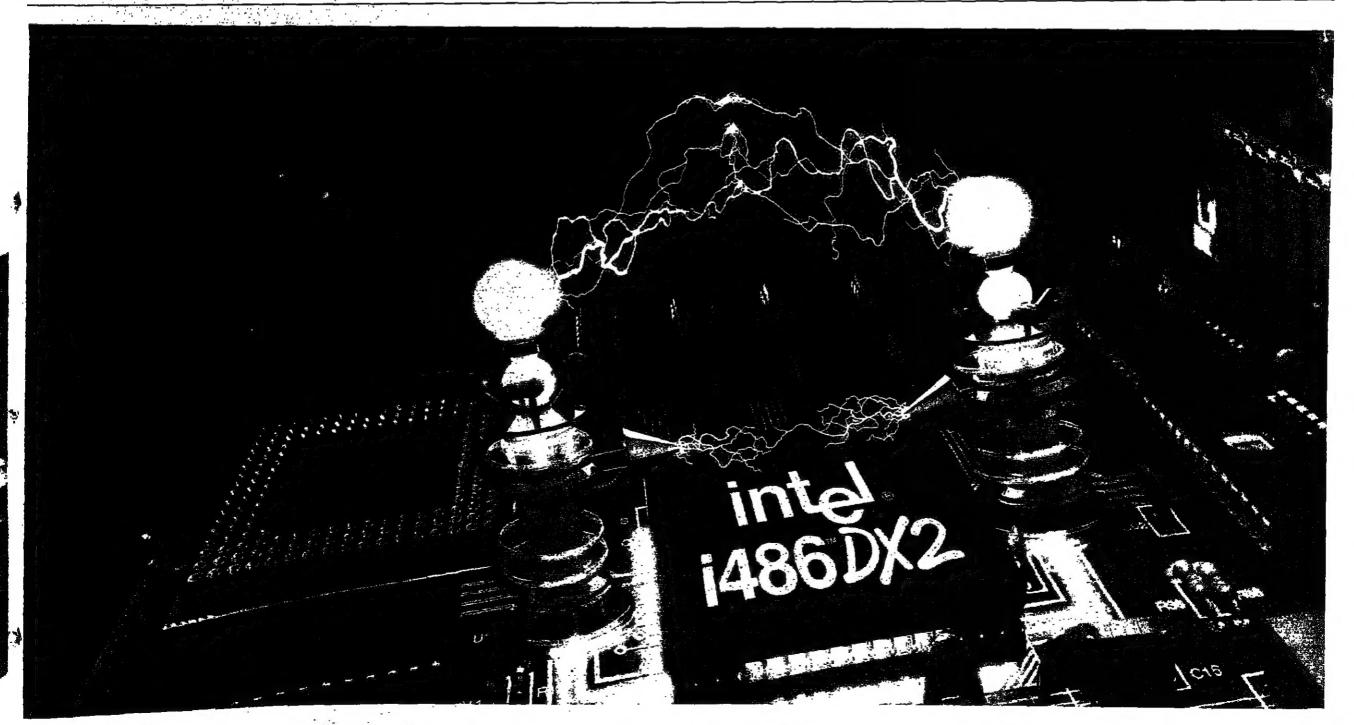
But the share offer will be a test of private sector commitment to Mr Hariri's ambitions and, in particular, of his conviction that wealthy expatriate Lebanese will channel wealth back into their country. Lebanese expatriates are estimated to hold \$30hn to \$40hn in assets outside the country.

. The issue represents 35 per cent of Solidere's equity, the remainder of which will comprise 11.7m class A shares distributed among 150,000 Lebanese in exchange for their title to property on which Solidere

committee valued this land in central Beirut at \$1.17bn - the value of shares to be issued to

former property owners. Additional class B shares in Solidere - its name being the French acronym for Lebanese Company for Development and Reconstruction of Beirut Central District - will be offered to these former landowners, other Lebanese residents, government agencies, Lebanese expatriates and Arab citizens - in

that order of priority.
Paribas of France Saudi American Bank, the Rivadhbased joint venture bank, will act as subscription agents for



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meeting of European and AMERICAN CITIES TO DISCUSS **EXPERIENCIES IN STRATEGIC PLANNING** BARCELONA 1, 2 AMD 3 DECEMBER 1993

■ Wednesday, 1st december 1993

04.03 p.m. INTHODUCTORY SESSION TO PRESENT THE CITY OF BARCELONA 07 00 p.m. OPERING OF THE INTERNATIONAL MEETING

Originating: Interdept of the Generalist of Catalonia Paraculating: Jord Pajol, President of the Generalist of Catalonia Pasqual Barrell, Market of Barcelona and President of the General Board for the Barcelona 2000 Stratege Plan Joed Borrell, Market of Public Works, Transport and the Environment Bruse Milliam, Commissary of Regional Foley and Relations with the Regions Commissary of Regional Foley and Relations with the Regions Commissary of Regional Foley and Relations with the Regions Commissary of Regional Foley and Relations with the Regions Commissary of Regional Foley and Relations with the Regions Commissary of Regional Foley and Relations with the Regions Commissary of Regional Foley and Relations with the Regional Programment of Regional Foley Services of Regional Foley Market Regional Regional Foley Market Regional Regional Regional Foley Market Regional Regional Regional Regional Foley Market Regional Regional Regional Foley Market Regional Regional Regional Regional Regional Regional Foley Market Regional Regional Regional Regional Regional Foley Regional Regi

Thursday, 2nd december 1993

-ec: an urban perspective IC: Plans for cooperation and urban areas -the support policy of the interamerican devi Bank in cities and urban areas 11.30 am. STRATEGIC URBAN PLANNING. THE EUROPEAN EXPERIENCE I

Case: New York and Toronto 04.00 p.m. STRAYEGO LIRBAN PLANGING: THE EUROPEAN EXPERIENCE II Clares Barcelona, Barmangham and Life THE LATHE AMERICAN EXPERIENCE Coles, Canolija, San Pedro Salis and Sanjago de Chile

Friday, 3rd december 1993

At Hotel Mells Battelons 09,30 Jun. World Bank: Cities AND STRATEGIC PLANNING SEEN AS A

LLO) A.M. ROUND TABLE WITH THE MAYORS OF BARCELONA, BUENOS ARRES, LYON, RIO DE JAMEIRO AND SANTIAGO DE CHILE DI. DO DURL CLOSING CEREMONY

José Artomo Acetalio. Leandre Amargios, Francis Arripe, Jord Borja, Sald Bouter,
Admit Cabriga, Manuel Campo Vidol, Fernando Cardiesa, Alfred Chemente, Jose Cice,
Michael Cohen, José Luis Dicento, Bruter Epps. Antonio Forrseca, Manel de Forn,
Inteland Gulgarise, Marriza Izagourre, Javer Jimahae, Ugarrie, John P. Kodh Jame Lemer,
César Nicas, Pastissa Marogial, Hichor Mourico Revis, Artoma Negre, Widels Noir,
Carles Porsa, Jose Pigol, Francesc Rasentos, Jamer Rasented de la Fuentos,
Francesc Santoscana, Densyn Shea and José M. Zalbdéa.

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NEWS: WORLD TRADE

Malaysian carmaker to produce left-hand-drive models for continental market

Proton sets up European venture

and Kieran Cooke in Kuala i umnur

AN Anglo-Malaysian joint venture through which the Proton, Malaysia's national car, will be marketed in continental Europe from the middle of next year was formalised in Kuala Lumpur yesterday. The venture, Proton Cars

Europe, is between Proton itself, its Malaysian distributor, Edaran Otomobil Nasional, and Mr David Brown, who introduced Proton cars to the UK - which has subsequently become by far Proton's largest largest export market. Mr Brown will have a 55 per

cent stake, Proton 25 and Eduran 20. The initial sales target for the first year of opera-tion is 8,000 units, although the long-term hope is for much larger sales as Proton's production capacity expands. Proton has about 70 per cent

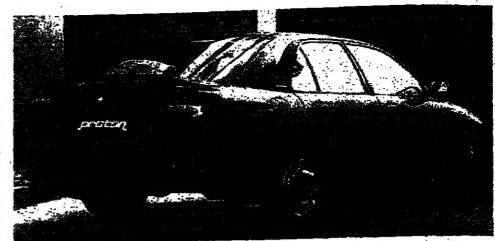
of the Malaysian car market and is now making an aggressive sales push overseas. It has outline plans to set up an assembly plant in Vietnam and is considering an overseas manufacturing facility, possi-bly in Chile. Capacity at the plant, 20 miles outside Kuala Lumpur, is being increased to 150,000 units a year from the current 120,000 and the 80,000 with which the car project

began in the mid-1980s.

This is to cope with both the introduction of new models and the start of manufacture of left-hand-drive vehicles for export to Europe from early

Currently Perusahaan Otomobil Nasional Bhd, the Pro-ton's manufacturer, makes only right-hand-drive cars. Malaysians drive on the left, reflecting the country's former colonial status, and exports hitherto have been confined to right-hand-drive markets.

The UK is by far the biggest export market, with just under 15,000 sold in 1992 and 16,000 projected for the current year. Another 2,000 annually have



Proton's Wira, to go on sale in the UK this month as the Persona

been sold in other right-hand-drive markets such as New Zealand, Australia, Bangladesh, Sri Lanka and other Commonwealth markets. Proton is itself a joint ven-ture company in which Japan's

Mitsubishi Corp has a 17 per cent stake. Proton Cars Europe will not, however, act as a conventional importer and distributor in continental Europe in the same way as Proton Cars operates in

the UK. Instead, its role will be to research and recommend to Proton a network of national distributors for each European country, and to co-ordinate their activities after they have been appointed.

Beijing distribution centre for Yaohan

Rockwell in Chinese car parts agreement

YAOHAN, a Japanese retailing group. plans to set up a big computerised distribution centre in Belling with the Chinese government, to be completed

Mr Kazuo Wada, Yaohan's chairman, who moved the group's head-quarters to Hong Kong in 1990, said the plan was part of his strategy of netablishing undustated distributions

ROCKWELL International, the US

automotive-to-aerospace multina-

tional, is setting up a joint venture in

China to develop and make a range of

car body components for the fast-expanding Chinese vehicle industry.

The venture, in which Rockwell will

wide, became the first foreign retailer to set up shop in China, opening department stores in Shenzhen and Beijing in 1991. It is also building a shopping centre with floor space of 108,000 sq m in Pudong, the special economic zone near Shanghai, to com-

"China lacks proper wholesaling average annual income is considered

jiang General Equipment Factory, based about 200 miles from Shanghai.

It will operate under the name of

Rockwell Chassis and Body System

Under the terms of the agreement, Rockwell will supply technology, pro-cessing equipment, systems and man-

agement expertise - as well as an undisclosed amount of investment

Zhenjiang Company.

and retail networks throughout and distributing systems. It takes two to three months to replace a product Yaohan, which has 432 stores world-He plans to set up distribution centres in 10 provinces, and wants to open 1,000 supermarkets in China by the

> Mr Wada reckons that the true purchasing ability of Chinese living in large cities is not reflected in the offi-cial statistics. Although the national

capital - for the production of win-

dow regulators, door latches, hand-

Rockwell has been active in China

since the 1970s. "The venture reflects

Rockwell's overall strategy for invest-

ment in China, where there is a huge potential for passenger car growth,"

according to Mr Donald Beall, its

brakes and similar products.

to be about \$350 (£232) per person, "In Shanghai it's about \$2,000 and in Shenzhen about \$3,000," he said. Canon, the camera and office equipment maker, will shift production of low-priced printers and facsimile machines to China to cope with the year's rise against the dollar. The company plans to spend \$80m on a new production plant near its com-

Rockwell already exports to China

heavy-duty axles and brakes and com-

ponents for off-highway construction equipment, avionics, telecommunica-

tions and automation equipment and

Several of its existing motor indus try customers, including Peugeot of

France, are either starting up of

printing press

pact camers manufacturing subsidiary in Guangdong.

service By Raymond Snoddy EMIRATES Dubei Television plans to

Dubai plans

Arabic TV

bunch next mouth what it says is the world's first 24-hour Arabic satellite television service.

EDTV, already available in the Middle East, hopes to reach 14m more Arabs living in Europe and North and Central America. The service will be carried on the

Entelset II satellite in Europe and on Galaxy satellite on the other side of the Atlantic, where it will be available from Canada to Venezuela. The exporting of a television ser-vice from Dabel is the latest sign of the growing internationalising of the

Next spring BBC World Service Television is to launch a news service in Arabic for the Middle East. EDTV plans a December 6 launch. EDTV, which will use programmes,

presenters, and technical staff drawn from all over the Middle East, plans to broadcast 70 per cent in Arabic and 30 per cent in English.

Japan unhappy over rice tariffs

Jupan told Gatt director general Peter Suinerland yesterday Tokyo would find it "politically difficult" to accept replacing its rice import ban with teriffs under a Brugday Round deal as world trade body spokesman suid, houses reports from Geneva. At a one-hour meeting in Geneva,

Israel quick to establish trade relations

By Julian Ozanne in Jerusalem

By John Griffiths

ISRAEL and China are moving swiftly to establish trade and business ties, following the visit by Mr Yitzhak Rabin, Israeli prime minister, to China last month

Bank Hapoalim, Israel's largest banking group, yesterday said it had established correspondent banking relations with China during a high-level Hapoalim mission to Beijing. The bank said the relations would help Israeli and foreign clients of Hapcalim wishing to invest in and trade with China

co-operation between Israel and China. The memorandum, signed by Mr Liu Jiang, China's agriculture minister, and his Israeli counterpart, Mr Yacov Tzur, provides for the establishment of a standing Chinese-Israeli agricultural committee, exchange of experts and information, the strengthening of a joint training programme and the establishment of a joint Israeli-Chinese model farm near Beijing where Israeli agricultural experts can demonstrate Israeli technology to Chi-

nese farmers.

lowed the signing in Jerusalem of a Israel, which ends tomorrow, a \$1.5m memorandum on agricultural deal was also concluded between Plastro G'vat of Israel and Beijing Plastic to sell Israeli irrigation equipment to China. Chinese technicians are already learning about the irrigation technol-

ogy at Kibbutz G'vat. Mr Jiang said Israeli irrigation equipment and other agricultural technology would be especially helpful in western China, which has a similar climate to Israel's. "Your irri-

gation systems can contribute a lot to advance the co-operation between the two countries," he said. Israeli officials said

tries was a result of the Israeli-Pales tinian peace agreement. China has always supported the Palestinians. and held up ties despite establishing diplomatic relations with largel two

Mr Dan Proper, president of the Israeli Manufacturers Association, who accompanied Mr Rabin to China last month, said yesterday further trade deals and joint ventures were in the pipeline, especially in advanced agricultural technology and irrigation, communications, telephones and tion, communications, telephones and special exemption for Japan, Mr electronics, food conservation, and Sufferland urged Japan to accept

Pares Minister Effico Hata sought a

Vision of unity for embattled central America

HE SIX small, poor republics of central America, still suffering the fallout from more than a decade of rumous civil wars, huge foreign debts, and injudicious economic policies, made an important commitment last

week to economic integration. The six presidents signed an agreement on Friday which will set them on course for free trade within the area and lay the foundations for deeper political barmonisation - for those that want it.

It reflects the view of politicians and the business community that greater economic integration is essential if central America's 30m inhabitants are to avoid being swamped economically by extra-regional

While short on binding measures or concrete commit-ments, the agreement is an important statement of intent to strengthen regional integration in the new realities of central America. The deal comes in the form

of a protocol to the original 1960 General Treaty on Central American Economic Integra-

Edward Orlebar reports on a commitment to freer trade and integration among six poor republics

tion which created the Central American Common Market. The new model of integration with a common external tariff of 20 per cent replaces an import substitution one based on high external tariffs. With the exception of Panama, all the countries have already

adopted this new regime.

The presidents also undertook to speed up the removal of the last of the internal nontariff barriers that have been erected over the past decade or

Objections by Costa Rica to anything beyond merely trade initiatives forced the core group of four - Guatemala Honduras, El Salvador and Nicaragua (Panama is something of a special case) - to make "voluntary and gradual" the protocol's implementation. Panama has only recently thrown its hat in with central

America and is expected to

move more slowly on integra-

Mr Rafael Rodriguez, the sec-retary general of Sieca, the technical body which has drafted the nuts and bolts of the agreement, admitted that he would have liked deadlines for the commitments in the protocol, but denied that its voluntary nature would diminish commitment. "It is not a strait-jacket," he

said. "There is an element of flexibility." While the Costa Rican government insisted it supported free trade in the region, it would not accept a customs union, the free movement of labour or a commitment to a single currency. "If we allowed free movement of labour, a million Nicaraguans would cross over our

Mr Roberto Rojas, the Costa Rican trade minister said in an interview recently. Nor did Costa Rica, which receives 50 per cent of its fiscal revenue from import duties, wish to lose control over its

northern border to seek work,"

collection, implied by a cus-toms union, where any central American port would act as a point of entry to the region.

During the 1990s, civil wars in El Salvador, Gustemala, and

Nicaragua, trade barriers, and mutual hostility between Nicaragua's left-wing Sandinistas and the region's right-wing military-dominated governments contributed to a drop in intra-regional trade from a peak of \$1.1bn in 1980 to \$450m in 1986. This year trade flows are expected to pass \$1bn. But the new vision of inte-

gration is not just about trade. Recently El Salvador, Nicaragua, Honduras, and Gua-temala, abolished passport con-trols for their citizens, and plans are well advanced on connecting stock markets and allowing banks, brokerage houses and other financial institutions to operate in each

The region's governments, which by happy coincidence



are at the moment cut more or less from the same ideological cloth, are endeavouring to coordinate macro-economic policy, adopting realistic exchange rates and the fight fiscal policies recommended by the international financial Greater co-ordination on

trade issues has already born some fruit. The five central American nations were the first to get together behind a plan to withhold 20 per cent of coffee exports to push up world

Central America has also been told repeatedly by the US that its chances of reaching a free trade agreement would be greatly increased if it could negotiate en bloc despite Costa Rica's efforts to cut its own

Similarly the bloc has already negotiated so-called asymmetrical agreements which favour central America with Colombia, Venezuela and Mexico, and talks are under way with the Caribbean com-

But while the grand conflicts of the 1980s are nominally over, or have diminished to the occasional combat, the region's impoverishment continues to fuel unrest, which could undermine integration.

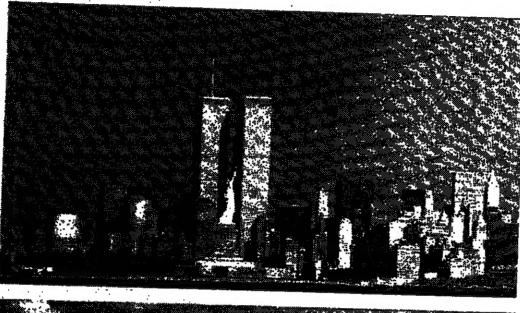
"If we can solve these probleins, we can make a quantum leap, says Mr Gert Rosenthal. the Gustemalan secretary gen-eral of the Sentiago-based Roo-nomic Commission for Latin America and the Caribbean. "If central America is to compe in the world economy it must integrate its economie

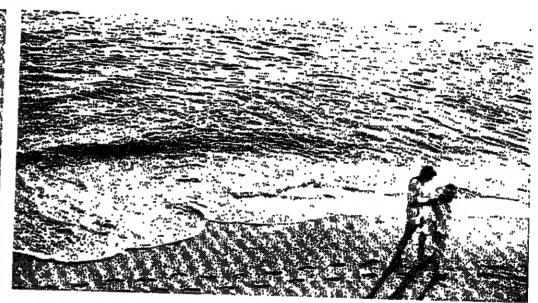
WHO CAN I TURN TO FOR HELP IN **SOLVING TECHNICAL PROBLEMS** IN MY COMPANY?

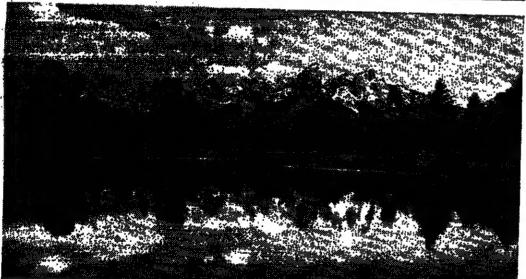


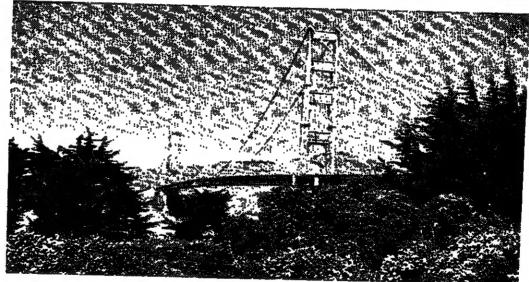
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US bid to win Belgian reprocessing deal alarms Dounreay

By James Bucton in Edinburgh and George Graham in Washington

MOVES by the US government to persuade Belgium not to send spent nuclear fuel for reprocessing in Britain are causing alarm at the UK Atomic Energy Authority's plant at Dounreay in Caithness, which sees the US action as a serious threat to its reprocessing operation.

Dounreay has a contract worth about £3m with a Belgian research nuclear reactor to take 144 rods of spent fuel and reprocess them, separ-

Unionists

MPs seek

peace plan

THE ULSTER Unionists could

ince as long as London does

not insist on a round-table for-

they would discuss whatever proposals ministers put forward in bilateral meetings.

UUP leader, was still declining

to comment publicly on the

tive, but ministers have drawn

Northern Ireland secretary,

appeared willing, in earlier

the early stages of new talks. But he seemed to view this

as a preliminary to a resump-tion of round-table discus-

sions. Bilateral talks, he said,

could be a way to "bank what

is bankable from last time and

to see what ultimately is a

really serious obstacle. Then

may be the time to sit around

A larger barrier to fresh talks may come from the Dem-

ocratic Unionists, whose

leader, Mr Ian Paisley, yester-

day insisted that the Social

Democratic and Labour Party

leader Mr John Hume must

first end his talks with Mr

Gerry Adams of Sinn Féin, the

his talks with Gerry Adams

are over," Mr Paisley said.

"And until Dublin deals with

Articles 2 and 3 [of its consti-

tution which covers its claim to the North L there is no point

Mr Paisley said the DUP was

waiting for Mr Major's

response to its proposals for

breaking the "logiam". He

said these dealt with both the

cross-border relationship and

According to Mr John Taylor, the UUP's Europe spokes-

man, the British government should try to seize the initia-tive by discussing its plan in

bilateral meetings with the

province's four constitutional parties and then moving ahead

plan's main elements should

be the creation of a Northern

Ireland assembly to adminis-

ter laws that would continue

to be made at Westminster and

the formulation of "some new

basis of co-operation" between

If these structures could be

made to work effectively, he

would expect the effectiveness

of the 1985 Anglo-Irish agree-

ment - which the UUP opposes

for giving a foreign country

influence over part of the UK

- to wither. The UUP's influence at Westminster has been

strengthened by the precari-

ousness of Mr Major's 17-

strong Commons majority,

which has made him reliant

Belfast and Dublin.

Mr Taylor believes the

ment it.

Internal institutional ques-

in sitting down with them."

"Mr Hume has to say that

political wing of the IRA.

mments, to go along with a bilateral approach - at least in

comfort from his reticence. Sir Patrick Mayhew, the

mat for the discussions.

bilateral

By David Owen

ating uranium from other waste and ronmental review to be carried out nergie which operates the BR2 reacreturning both urantum and waste before it can be imported.

But the US Department of Energy has offered the Belgian authorities an advantageous price for taking the spent fuel and storing it permaneutly at Savannah River, South Carolina. It is believed to have offered to indemnify against breach of contract.

In order to allow the speedy import of the spent fuel into the US, the US Energy Department has waived the rule requiring an envi-

The US believes it has an obligation to take back the fuel which originated in the US, and sees the move as reducing the trade in highly enriched uranium which could be used in nuclear weapons.

The Dounreay plant, where the experimental fast breeder reactor is due to close next year, fears that the US could make similar moves with other consignments, wiping out Dounreay's reprocessing business. The Studiekentrum voor Kerne-

tor at Mol in Belgium is close to deciding whether to accept the US offer, which is understood to involve a price of about \$4,000 per rod. Dounreay believes the price involves a heavy subsidy and compares it to its own reprocessing cost of \$30,000. The US Energy Department's decision to waive the environmental review in order to accept the uranium signals the acceleration of a return to its earlier policy of taking back spent nuclear fuel from Euro-

pean research reactors. "

foreign reactors away from highly enriched uranium supplied by the US. But the US stopped taking back spent fuel following a legal challenge in 1988. In July, however, the Energy Department bowed to a State Depart. ment warning that continuing to refuse the shipments could "undermine fifteen years of intensive US -non-proliferation efforts."

"We are committed to taking this fuel back consistent with our obligation to our foreign partners and within the requirements of environ-

an assistant energy secretary, said. For future shipments from reac-tors in countries including Germany, the Netherlands and Sweden, the Energy Department is expected to undertake a normal review of the environmental impact. US officials are concerned that under the cur-rent US-Euratom agreement they would have no control over the transfer of the reprocessed fuel within the EC, weakening the effect of the US's ban on new exports of highly enriched uranium.

Britain in brief

VAT on fuel compensation trimmed back

government's compensation package to miti-gate the effect of Value Added Tax (VAT) on fuel is likely to be "substantially less" than 2500m, significantly less than expected, according to government officials.

It had widely been assumed that Mr Peter Lilley, social security secretary, had won a bigger package from the Treasury in order to low income

However, Mr Kenneth Clarke, chancellor of the exchequer, has decided to limit the amount available to sweeten the effect of the controversial tax, believing that it is sufficient to limit any potential Tory backbench rebellion. The compensation leaves lit-tie, if anything, for those who fail to qualify for income sup-port, dubbed the "nearly poor". by the chancellor, because dr savings or incomes are

slightly too high.

The decision to limit the amount of compensation for VAT on fuel is expected to be finalised at tomorrow's session of the cabinet, which will con-firm the level of public speud in Mr Clarke's unified budge en November 30.

G7 economies 'discouraging'

Economic developments among Britain's G7 trading partners offer "little encouragement" to UK policy makers, with growth in the US, Japan, Germany, France, Italy and Canada likely to average only 1 per cant this year, the Bank of England says. While the Bank's quarterly bulletin sees little prospect of recovery stalling in the US, it warned that there are few signs of an upturn in Germany or Japan.

Money supply figures increase

Money supply figures from the Bank of England added to evidence that consumer spending is the driving force behind the

Cash in circulation, or M0. rose a provisional, seasonally adjusted 5.4 per cent in the year to October, compared with 5.3 per cent in the year to September. This was the sixth consecutive monthly rise in the annual rate. Growth in narrow money tends to reflect a pick-up in retail sales. The rise in M0 in every month since May – when it was 3.5 per cent – has coincided with buoyant retail activity.

Reserves rise by \$507m

The UK's official gold and foreign currency reserves rose by \$507m last month, taking reserves at the end of October to \$43,551m, compared with \$43,044m at the end of September. The underlying increase in reserves was \$32m.

The underlying change excludes a number of factors included in the total change, including the proceeds from the quarterly tender of 3-year Ecu Treasury notes, procee from this month's tender of UK Ecu Treasury bills and matur-ing UK Ecu treasury bills.

Receiverships up slightly

The number of companies entering receivership or administration rose slightly to 240 during October, according to figures from the official London and Edinburgh Gazettes analysed by accoun-tants Touche Ross. The figure reflected a continued decline in the number of company failures over the past six months, although it was up from a one-off low of 184 during Septem-

Fall likely in apprentices

recruited by the engineering industry are likely to fall by 24 per cent this year, according to the Sheffield Association of the Engineering Employers' Federation. The association, which covers the industry in South Yorkshire and the north Midlands, says its annual recruitment and skills survey shows numbers of craft apprenticeships have dropped. However, only 5 per cent of companies reported serious skill short-

Bank predicts slight rise in **UK** inflation

be ready to take part in talks on Mr John Major's proposed peace initiative for the prov-By Peter Norman

THE BANK of England warned yesterday that inflation will Senior UUP MPs indicated rise in the months ahead, with a "slight possibility" that it will briefly exceed the government's 1 to 4 per cent target range in the first half of 1994. Mr James Molyneaux, the The forecast contained in the Bank's latest quarterly Inflation Report, helps explain recent statements by Mr Eddie

George, the Bank governor, and Mr Kenneth Clarke, the chancellor of the exchequer, dampening expectations of an early cut in bank base rates from 6 per cent. But the report also made

clear that interest rates will not have to rise to offset any short term rise in inflation next year, provided the higher price level does not push wages higher. This is because the expected acceleration of inflation in 1994 will largely reflect the impact of highe indirect taxes and changes to local authority taxes, announced in the March Bud-

Indeed the Bank appeared to give approval to further tax increases in the forthcoming November 30 Budget, It urged the government to take action that would steadily reduce the Budget deficit.
This, it said, was crucial to

sustaining the credibility of the government's anti-inflationary policies.

"It needs to be understood," it said, "that one-off boosts to the level of prices, for instance, from higher indirect taxes, do not mean any slackening of anti-inflationary policy, and should not be regarded as permanent increases in the under-lying rate of inflation."

Mr George and Mr Clarke will meet today for confidential

By Philip Stephens, Political Editor

MR JOHN MAJOR yesterday

gave the clearest signal yet

that his government is plan-

ning further tax increases in the November 30 Budget.

Despite a cabinet agreement

to freeze public spending in

real terms for the next three years, Mr Major indicated

tough control of spending and

resumed economic growth would not do enough to curb government borrowing.

His comments coincided with

signs of an upsurge of concern among rank-and-file MPs about

the impact of tax increases

already in the pipeline follow-ing the March budget. Under the plans announced

British Coal to announce

increases in Budget

discussions in London on the present stance of British monetary policy and the likely implications of the Budget on November 30 for Bank of

England policy. In its report yesterday, the Bank noted that most year-onyear measures of 12 month inflation had risen since its last report in August.

"Headline" retail prices inflation rose to 1.8 per cent in September from 1.2 per cent in June while the underlying rate, which excludes mortgage interest payments and is targeted by the government, advanced to 3.3 per cent from 2.8 per cent. But it said that slack in the

British economy, together with moderate growth in demand and slow growth in broad money and credit pointed to the possibility of further reducing inflation over the medium term with growth of output picking up.

Excluding tax changes, the Bank expects that inflation will start falling early next year and could reach a level close to the middle of the government's target range in 1995. The Bank's report provided no indication of whether it and the Treasury would lower interest rates in the event of a

substantial tightening of fiscal

policy in the Budget.

But the report makes clear that the Bank is satisfied with the present level of bank base rates in current circumstances. Indeed, its central forecast that sees underlying inflation at between 3 per cent and 4 per cent in early 1995 suggests that the Bank's top management considers that the UK's record in combatting inflation is one of "so far so good" rather than

quer, the tax burden is already

set to rise by more than 26bn

next year and by more than £10bn in 1995/96. But Mr Major told the Com-

mons that the government needed to make a "steady and

sustained" move to reduce bor-

rowing. That could be done in

several ways. Controlling pub-lic expenditure was one and

growth would make a contribu-

tion. But in a clear reference to

tax increases, the prime minis-ter then added "other matters"

Ministers and Conservative

MPs who had been listening to

Mr Major were unconvinced by

Downing Street's argument

that the prime minister was

refering to plans already announced by Mr Lamont.

would also contribute.

Lex, Page 16

EC pollution proposals criticised By David Lascelles and strict liability that would make ernment and the EC should holding joint hearings in Brusowners responsible for rule out any moves to create

NEW MODEL: One of the world's most famous car factories, at Cowley, Oxford is being redeveloped (above). Rover is spec

2200m on consolidating the sprawling plant on one site. William Morris, the pioneer manufacturer, was born at Cowley St John, and produced the 'Cowley' in 1915. The factory was on the site of an old military academy where Morris' father had gone to school

EC PROPOSALS to impose stricter liability on businesses to pay for pollution damage were criticisied by British employers yesterday. The Confederation of British

Industry said the proposals were "ili-founded" and would result in contaminated land The CBI attack, contained in

a 32-page report on environ-mental liability, singled out an EC discussion document issued last May which called for harmonisation of community environmental law because pollution could not be contained within geographical borders. The document argued for

deaning up contaminated land regardless of whether they actually caused the damage. Mr Tim Yeo, the environment minister, yesterday sup-ported the CBI stance. "The EC role needs to be carefully regulated. I don't believe, on

of EC policy," he said. Both the CBI and Mr Yeo also oppose suggestions that environmental groups should have the right to take polluters to court. Mr Yeo said: "It is important to limit the number of people who can bring civil action for loss. That would be a retrograde step."

The CBI said that the gov-

grounds of subsidiarity, that

there should be harmonisation

retrospective hability for policition damage, or widen liability. Where the polluter could not be found, the clean-up would have to be paid for by a partnership between the public and private sectors, making use of eneration grants.

The CBI report was sharply criticised by environmental groups. Friends of the Earth said the CBI was "expecting the public to pay for the clean

sels today on the discussion groups will give evidence.

Mr Humphrey Norrington,
the vice-chairman of Barclays Bank, will be among those tes tifying. Although he will be lobbying on behalf of EC banks, the UK banking industry has been leading opposition

to the EC proposals. Bankers fear that they would

up of its members' industrial pollution legacy. The public has the right to expect the government to ensure that the cost of cleaning up is borne by the polluter, not the polluted." The EC Commission and the

be made liable for pollution costs incurred by their borrow-Lest night Mr Norrington

said: "Banks are keen to help their customers be good envi-ronmental citizens. But if the EC forces us into a straitiacket the result may be the exact European parliament will be opposite."

Major signals tax Dockyard workforce could be **cut by 40%**

By James Buxton,

THE LABOUR FORCE at the Rosyth naval dockyard in Scot-land could fall by nearly 40 per cent to 2,200 by the year 2005, employees were told yesterday. Staff were warned that their present pay and conditions will have to be renegotiated as the yard reduces costs and is fully

Babcock Thorn, which operates the dockyard on the Firth of Forth, yesterday held the first of a series of meetings to inform all 3,600 employees of

the yard's prospects.

This follows the government's decision in June to award the contract for service ing Trident submarines to Devonport, while allocating Rosyth a workload of surface ships which will taper after 2000 and end in 2005.

the full privatisation of the two naval dockyards. Mr Allan Smith, Babcock Thorn's managing director, said Babcock intended to bid for Rosyth without Thorn EMI and was negotiating to take over Thorn's 35 per cent stake.

The workforce was told sub-marine work would continue to 1996 and would be followed by the refitting of two aircraft carriers as well as frigates and Type 42 destroyers. By 2000 the workforce was likely to fall to

After 2000 Rosyth will have to compete for most of its naval workload and the labour force would drop to 2,200. The exact size depended on its success in improving efficiency and reducing costs.

The workforce was told that

Rosyth's wage, salary and overtime costs were the highest in the ship refitting industry, and the company's contribution to the pension fund was twice that of most of its com-

London asks Brussels for £630m aid for Merseyside age level of gross domestic product per head of age level of gross domestic product per head of population by the end of the century. No specific projects are suggested at this stage. Rather, nearly 47 per cent of total spending would go on human resources, principally training, to attack the problem of a large block

By lan Hamilton Fazey, Northern Correspondent

THE UK GOVERNMENT yesterday asked the European Community for about £630m over six years to help reverse the decline of Merseyside's

It proposes to match the sum with contribu-tions from public and private sectors, making 22.12bn for local economic reconstruction by the and of the century.

The money, which has to be finally negotiated

over the next six months, would go to Mersey-side under its new Objective 1 status, which gives the poorest and most lagging areas of the EC special help to catch up.

In the negotiations, the EC is likely to press for the UK public and private sectors to give

more than 50 per cent of the £2.12bn.
The strategy document asking for the money suggests complete reversal of Merseyside's decline could be impossible. Latest government figures show Merseyside's

growth would have to be 5.4 per cent a year above the EC's average to reach the EC's aver-

of unskilled male labour.

It would build on research traditions in its two universities and among existing companies.
clear up dereliction and pollution, conserve agricultural areas around the conurbation's periphery and develop Merseyside's transport and port infrastructure to revive it as a "major gateway" between Europe and the rest of the world. The Northern Ireland Office is to prioritise
human resource development in its use of EC structural funds over the next six years, and is to emphasise the importance of cross-border links in the development of transport and energy infrastructure. Northern Ireland enjoys "Objective One" status for the disbursment of EC structural funds, which will entitle it to over 50 per cent, or 1.23km ECU, of the 2.36km ECU allocated to the UK for 1994-99.

Contracts awarded Early next year the Ministry of Defence will seek tenders for Tube project

By Andrew Bader

LONDON Underground yesterday awarded a further £400m of contracts for construction of the 21.9bn Jubilee Line extension, bringing to £800m the total value of contracts awarded in the past five

Further contracts are expected in the next week following government approval for the Overseas companies are

expected to win 40 per cent of civil contracts and about 20 per cent of electrical and mechanical orders. Mr Hugh Doherty, project director, said: "Even when contracts are with overseas firms, it is important to realise that the vast majority of the money - in excess of 90 per cent - will still be spent in the UK, contributing to the national economy."

The contracts awarded yesterday cover everything from by the government.

tunnelling, to ticket machines. These include two station and tunnelling contracts worth a total of £130m for the Aoki-Soletanche joint venture, which includes Japan's Aoki Corporation.
On the equipment side, GPT,

the UK joint venture between GEC and Siemens, has won a £60m communications contract, while German-owned O&K Escalators will supply lifts and escalators worth more

A £50m contract for power, cabling and conductor rail was won by GEC Alsthom, the Anglo-French engineering group which last week clinched a £250m deal to sup-ply 59 six-car train sets for the project. The orders are a boost for the Anglo-French group following last months's defeat in the race to supply equipment to British Rail under a special £150m leasing facility granted

Milk quotas face UK bid for abolition MRS GILLIAN Shepherd,

agriculture secretary, yester-day pledged to fight for the eventual abolition of EC milk production quotas, which pre-vent the UK from being more than 85 per cent self-sufficient, writes Alson Mattland.

to allow milk quotas to be transferred between milk producers in different countries. "It would be logical and sensible to allow quota to migrate to those parts of the Community, like the UK, where milk can be produced most effi-

ciently," she said. Meanwhile, Mr Jim McMi-

Addressing the Dairy Trade Federation, Mrs Shepherd said she would press member states Numbers of apprentices

chael-Phillips, president of the federation, accused Milk Marque, successor to the Milk Marketing Board compulsory purchasing scheme, of award-ing itself an unfair advantage against competing buyers in the run-up to the deregulated market next April

BRITISH COAL, the state British Coal said it was neccreated at the former Cortonmining corporation, will today begin its long-awaited move to wood colliery near Barnsley. South Yorkshire, north essary to review further the Calverton colliery which cut back the UK coal industry England Tunstall Group, the employs 640 men and has made by announcing closure plans for Calverton colliery in Notelectronics equipment com-pany, will build an £11m comlosses of £6.3m this year. At least one more pit closure tinghamshire. The expected announcement ponents factory on the site is likely next week following where almost 10 years ago the British Coal's decision to confollows months of speculation that British Coal will close all pit closure sparked the vene a meeting next Tuesday national miners' strike. 12 pits reprieved by the govern-ment last March following a

mine closure proposals

public outcry over their proposed closure. In the five months to the end of British Coal's financial year in March, the company is likely to close at least a dozen

n meetings with union leaders in Nottinghamshire yester. day, British Cool indicated some of the 12 reprieved mines could survive if they out-per-

formed the 19 pits to remain open.
They underlined the extent bine stations have taken away

More than 600 jobs are to be Finance includes a govern-ment grant of £2.5m and a five-year European Coal and

of the industry's problems by disclosing that coal burned in Britain's power stations is likely to be 7m tonnes lower than expected at 57m tonnes

Coal consumption has fallen

by 20 per cent compared with

last year as nuclear output has

risen 12 per cent, equivalent to

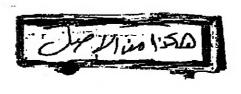
3m tonnes of coal, and gas tur-

Steel Community loan.

the market for 4m tonnes of

to discuss Yorkshire region col-Further meetings called for this month have raised concerns over the future of collieries such as Silverdale in Staffordshire, and Wearmouth in the north east.
Mr Neal Greatrex, general

secretary of the Union of Democratic Mineworkers which represents most Nottinghamshire miners, criticised British Coal's tactics because many pit workers in the region are likely to face a three month wait before the corporation decides their future.



uy a laser printer and help save the world. Strange as it may seem, newspaper readers throughout Europe are being urged to do just that in a series of advertisements placed by Kyocera, the Japanese company with a turnover of Y420bn (£2.6bn). Kyocera's core business is ceramics but it also makes a laser printer which it claims is environmentally more sound than those of its com-

The claims have caused scepticism among environmental campaigners and the electronics industry. The campaigners cite Japan's poor environmental record, espe-cially its efforts to continue whaling and its high consumption of tropi-cal timber. The trade thinks it is commercial suicide to try to sell products on their environmental credibility alone.

But Kyocera's printer, called the Ecosys, looks set to be in the vanguard of a wave of greener products from Japan, such as industrial environmental protection products and energy-saving devices. Consumer

tic oute

The state of

products are expected soon.

"Japanese industry is particularly sensitive to environmental issues because Japan has suffered from bad pollution in the past. The Mina-mala mercury poisoning is just one example, says Yasuo Nishiguchi, Kyocera's senior managing director.
"I can understand that Japan is perceived as different because of the whaling. But the Japanese attitude is changing."
It was Nishiguchi's decision to

promote the Ecosys on environmental performance. He admits that some of his European distributors, especially those in Spain and Italy, think he is wrong.

"I was concerned in April 1992 when we started the promotion because everyone was saying that the printer's anvironmental performance was not enough to win market share. But our message to the market is now accepted and we have met our sales targets."

Kyocera is a minnow in the worldwide office printer market, which is dominated by Hewlett-Packard, with Canon providing the core technology for most printers. The Ecosys is comparatively slower, more expensive and does not produce the same density of print as the latest models from leading competitors.

Kyocera decided that if it was to compete, it needed something to differentiate its product from the rest. Ecosys's design provided the unique selling point. Conventional printers use a replaceable cartridge that contains the toner and the printing drum. The whole cartridge is thrown away when the toner runs

While this gives high-quality while this gives any design is printing, the throw-away design is A Japanese group's new printer may establish a trend, predicts Peter Knight

A rebel among the copycats

When you save this, you help save all this.



unacceptable. Canon and H-P have responded with recycling initiatives, but these have been largely ineffective because dealers are not obligated to take back used car-

H-P is about to launch "re-engineered" cartridges and a take back scheme for old printers, but its distributors are under no obligation to accept used products from custom-

Kyocera's design has a longerlasting drum (using its ceramics technology) which is separate from the toner cartridge. The only part of the machine that has to be replaced regularly is the toner.

While marginally more expensive to buy, Kyocera claims the Ecosys is more economical to run. Each page produced costs two-thirds less than the industry average. By dis-pensing with the disposable car-tridge the design holds the high ge produced costs two-thirds less environmental ground.
"Our printer differs from the rest

because of its character that combines ecology with economy. Our competitors cannot address this," says Nishiguchi.

The competitors, understandably, do not want to be drawn on these arguments. But it is cleer they are

improve the environmental profile of their products. New models are, for example, far more energy efficient, are partly made from recycled materials, are packed in recyclable materials and accept recycled

Pressure to improve environmental credibility comes from diverse directions. Certain government purchasing policies now insist on the best environmental option. Kyocera recently won a big order for 1,000 printers from the German Federal Office for the Recognition of Foreign Refugees in Germany, a subsidiary of the labour ministry.

The US's Energy Star labelling system, which promotes energy efficlency, has driven computer and printer makers to reduce the energy consumption of their products if they want to win federal government contracts.

Some big companies are also ginning to demand environmentally better products from their suppliers. Kyocera's heavy promotion paid for by corporate headquarters to support its marketing in other countries - has underlined the issue in the printer market.

Nishiguchi says the Ecosys conforms with Kyocara's avowed com-

efit society and "make a positive

0734 311500

Ecosis

contribution to planet Earth".

"The Japanese have a desire to be leaders in everything they do and the environment is one such area. They are very sincere about it but they are also keen to extract competitive advantage," says Alax Mayhook-Walker, a Japanese specialist with ERM, the international environmental consultancy.

Japanese trade organisations. backed by government funds, have recently commissioned research into environmental reporting, waste recycling and disposal methods for used electronic equipment. Much of this work, according to Mayhook-Walker, is linked to finding new markets.

Japanese companies clearly see opportunities to sell products into the emerging environmental markets in the west.

Kyocera's stab at capturing a small part of the printer market by extolling its green credentials could be an early warning to western manufacturers who feel the heat has gone out of the environmental

"A lot of new green products will come out of Japan soon," says

Haunted by Britain's industrial heritage

David Lascelles looks at a new report which proposes ways of cleaning up contaminated land

he twin issues of environmental liability and contaminated land are fast becoming some of the most contentious for the business community in the UK. Yesterday's proposals from the Confederation of British Industry are part of an increasingly concerted effort and the property sector to fend off what they fear could be crippling bills.

"Business interest in this issue is strong and rising," said Howard Davies, the director general. The government is currently conducting a review of the problem after being forced by industry pressure to drop a plan for a contaminated land register earlier this year. This could lead to fresh proposals, possibly a green paper, next year.
The 32-page CBI report is blunt

about the problem: "Liability for remedying environmental damage may well become the key environmental challenge facing business in the 1990s," it begins, making clear that the fundamental question is who pays for it. The report was assembled by a working party of CBI members headed by John Wybrew, the director of public affairs and

planning at Shell. As the CBI sees it, the UK has an exceptionally long industrial heritage and this has left it with more contaminated land than probably any other country. But the business community does not accept that it should bear the cost of cleaning it all up, or that every hectare of it even needs to be cleaned up to the same pristine standard.

The report is particularly critical of the legal and regulatory nncertainties that surround environmental liability, and specially an EC green paper issued last May that would try to harmonise it across the whole community on the basis of strict liability.

Wybrew warns that these uncertainties are causing land to be left derelict and deflecting demand for industrial sites into greenfield areas. "We want to harness the wealth creation

process to environmental improvement," he said yesterday. The Royal Institution of Chartered Surveyors has already denounced the proposal as "unfair and unpractical".

There are also side issues about the extent to which banks would be liable to foot the bill for contaminated land owned by clients they lend money to and

the role of pollution insurance. The CBI accepts that business should pay for any environmental damage incurred in the future, provided there is a clear and fair legal framework. But the real problem lies with past damage affecting as much as 200,000ha which would cost up to £1m per hectare to put right, or a total bill of £20bn. A lot of the pollution

A lot of the pollution is historic; no one knows who was responsible, the land may have changed hands many times

is historic: no one knows who was responsible, the land may have changed hands many times. Much of it was also legal when it occurred.

Here, the CBI makes a number

of proposals.

First, the government should establish priorities for cleaning up contaminated land. Perhaps only 1 to 3 per cent of land needs urgent action. It should also set standards because the requirements for different types of land can vary widely. Dutch soil standards are widely used but these were designed for a particular set of national circumstances and also require land to be improved to a point where it can be put to any use. however sensitive. The CBI thinks

that is going too far. Second, the government can help by linking remedial action to the planning process and by encouraging development of new technology for measuring contamination and carrying out

Third, the government and the EC should explore grants as a way of paying for clean-ups. "Mixtures of public- and private-sector funding will be the most effective way to bring land

back into use where it is most. needed." the report says. But having made this statement the report is strikingly vague about how the private sector should play its part. It offers no estimates of how big a contribution business might make, how it could be made and by whom, although the report lists in detail the government agencies who might be able to offer money and also gives a run-down of the amount of public

money available for land

The CBI has rejected the idea. of a compensation fund. John Cridland, the environment director, said yesterday: "The past is the consequence of our industrial heritage, therefore the only appropriate way to pay for It is through the exchequer. I cannot envisage any compensation arrangements that would be fair and equitable."

This weakness in the report was quickly seized on yesterday by environmental campaigners who accused the CBI of trying to wriggle out of its responsibilities and push the cost on to the taxpayer. They also said that industry was effectively trying to secure a competitive advantage in Europe at the expense of the public and the environment.

Friends of the Earth said that a tax should be levied on all potentially polluting industries to create a fund to clean up land where the poliuter cannot be found. It also favours a contaminated land register and strict liability.

But the picture is less clear cut than that. Local authorities, who are very close to the problem. have had difficulty forging a common position on who should

There are no easy answers said an official at the Association of Metropolitan Authorities.

PEOPLE

Ex-surgeon to correct the balance at UBS healthcare

names in the healthcare business has joined UBS as a director, corporate finance. John Heap trained as a surgeon, specialising ultimately in infertility treatments in obstetrics and gynaecology. But since 1980 his instruments have been rather more metaphorical than

Heap has spent the past 13 years in a variety of senior European healthcare positions, all of which have primed him for his new role, which will be to assist UBS to steal a march un its competitors all fiercely engaged in staying in the middle of the new business stream being generated by mergers,

One of the more familiar floats and buy-outs in the now tightly squeezed pharmaceuti-

"One of the principal issues facing the pharmaceutical industry now is research and development costs, which can-not persist at the level they have reached," says Heap. "Globally, some \$30m is annually spent on R&D, which is an unsustainable figure when compared with generated sales of perhaps \$130bn. The ratio is wrong. Pharmaceutical companies will either have to trim their R&D costs, re-focus their research, or increase sales enormously. The latter is very difficult, the first is very easy but ineffective. What needs to

focus their efforts and minimise their duplicated efforts," argues Heap.

Heap's expertise has been gained through broad experience. On leaving the national health service, he joined the Belgian company Janssen Pharmaceuticals as a senior medical adviser. He went on to join the French company Mér-leux, as medical director, helping establish it in the UK. In 1983 he joined Lorex Pharmaceuticals as the board director covering Italy, the Netherlands and the UK, and moved



recruiting a couple of analysts in London as well as one each New York, Tokyo and Zurich. It recruited Heap in the belief that the pharmaceutical industry is about to undergo the same sorts of upheava over the next decade as befell

the computing industry in the

Im Johnston, currently md of Schweppes Cottee's, a subsidiary of CADBURY SCHWEPPES in Australia, la appointed to succeed David Brooks as md of Cadhury when

he retires on January 3. Mike Burgess, formerly finance director of Fisons' horticultural division, has been appointed director - internal audit of LUCAS INDUSTRIES; Peter Skeggs becomes group

Noreen Wright has been appointed company secretary of NORTHERN IRELAND

A Northumberland farmer by

profession, Don Curry, 49, has

been appointed by the govern-

ment as acting chairman of the

Meat and Livestock Commis-

sion; he had been deputy chair-man of the MLC since Decem-

ber 1991. The MLC's former chairman, Geoffrey John, has

moved to take up the post of

chairman with Food From

Britain.

Chairing the MLC is a three

day-a-week job. Besides his

farming interests, Curry is chairman of a livestock mar-

keting co-operative based in Ponteland, also in North-

umberland. He first joined the

MLC in 1986, having attracted

ministerial notice through his work on the council of the

Although not full-time, the

MLC is nevertheless a demand-

ing job, with "a lot of public relations, meetings and com-

National Farmers' Union.

ELECTRICITY; she succeeds Gerald Nickell.

Richard Stubbins has been appointed finance director of MERIEUX, the UK subsidiary of Pesteur Merieux Serums

Michael Feiner has been appointed senior vice-president of personnel for Europe at PEPSICO; he will be based in

■ Gerd Schlenzka has been appointed finance director of KWO Kabel Gmbh, a subsidiary of BICC CABLES; he will be based in Berlin.

Curry spices up meat market

mittees to attend, representing

the MLC at various events,"

says Curry. He describes it as "a very important body with an annual budget of £2m for

research and development pro-

jects aimed at improving the

long-term efficiency of the

industry".
Probably the most publicly

Reith Smith has been promoted to the post of UK sales director of IPC Information Systems. The Hon David McAlpine and Cullum McAlpine have been appointed to the board of NEWARTHILL, holding company for Sir Robert McAlpine; Kenneth McAlpine

to Evans Healthcare in 1986.

UBS has busied itself in the

healthcare market recently,

has retiral. ■ Ian Knott, deputy md of Sira Test & Certification, has been appointed chief executive of SIRA Certification Service on the retirement of Terry

visible activity of the MLC in

recent months has been its controversial advertising cam-paign using the slogan "Meat to live". "I don't think that is

taking things too far," says Curry. "We take a responsible

view of our advertising. There

is a lot of nonsense talked

about meat-eating. There is an

awful lot of advertising which

one could look at and ask if

what it is saying is actually

Curry says that "when and if" he was asked by the govern-

ment to stay on permanently

as chairman he would have to

give it serious consideration.

For the moment Gillian Shep-

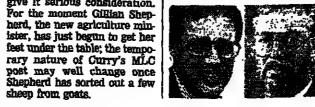
Shepherd has sorted out a few

Constructive careers

Mulcolm Rekorstall. chairman of Amec Construction, has bee appointed to the main AMEC board; he is responsible for the group's building and civil engineering activities throughout the world. Chris Randle has been appointed md of JOHN MOWLEM Construction's Northern Region which comprises North Wales. North West England, Yorkshire and the North East. ■ David McAlpine and Cullum

McAlpine have been appointed to the board of NEWARTHILL, the holding company for Sir Robert McAlpine; Kenneth McAlpine has retired. ■ Donald Bethune (below left) has been appointed director of technical services at the LONDON DOCKLANDS DEVELOPMENT

CORPORATION; he succeeds Tom Hoke who was seconded from Bechtel as director of infrastructure programme. Paul Ahearn (below right), formerly md of Norwest Holst Construction, has been appointed a director of WILTSHIER





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David Goodhart on the curious appeal of UK performance-related pay schemes

erformance-related pay in the UK is a puzzle. There is overwhelming scepticism about is effects on performance, yet its progress seems

Over the past few years this may owe something to government patronage as PRP has been, or is being, imposed on the civil service, the NHS, the education system and now the police force.

Yet government patronage is only part of the story. A 1991 study by the National Economic Development Office found that about half of all private-sector organisations in Britain were using PRP for some staff and more than one third had been doing so for

more than 10 years.

Despite its long pedigree there is considerable muddle about what it is and how widely it has spread. PRP - not to be confused with profit-related pay, which attracts various tax advantages - could cover anything from piece work for manual workers, oneoff merit pay schemes, or simply the promotion of good performers to higher-paid jobs. But in practice it has come to describe the linking of all, or part, of an individual's pay rise to a formal performance

The most recent research from the Institute of Manpower Studies finds that more than two-thirds of all UK organisations now have individualbased PRP for at least some of their staff. The majority of schemes apply to managers or valued "core" staff, but the trend of the past few years has been for the system to trickle down to white-collar staff.

It is still relatively unusual for manual workers, although Nissan's British assembly plant is an exception, and the real extent of PRP can be easlly exaggerated. A glance at the government's latest New Earnings Survey shows that productivity/incentive pay for all non-manual employees increased from 2.6 per cent of gross earnings to 3 per cent

between 1992 and 1993. It is difficult to tell how much of that 3 per cent is PRP down incentive pay into different categories. But even if PRP accounted for a good part of it, it would still be far less than the productivity pay arrange-ments that in 1993 accounted for 5.3 per cent of manual

workers pay. Also, although two-thirds of all organisations may have some form of PRP, when settlement groups within organisations are examined, as they are by the Industrial Relations Services pay databank of more than over 1,000 such groups, PRP coverage falls to only 20

per cent. Nevertheless, PRP is on the march in the private and public sectors, and most compa-nies in sectors such as building societies, banks and insurers have PRP for their staff and usually for the whole pay rise. Little work has been done on evaluating the effectiveness of schemes but, according to the

The introduction of PRP is a powerful signal for a broader change of business culture

last IMS case studies, PRP does more to demotivate than to motivate staff and neither helps to retain high performers nor dispatch poor performers. Other studies find that the motivational effects of PRP are, at best, neutral.
What explains its continuing

popularity? First, for government ministers and private-sector managers the introduction of PRP is a powerful signal for a broader change of business culture. And it is often accompanied by other moves towards individualising employer-employee relations - such as team-briefings, profit-sharing and health scheme

Second, as organisations become "flatter", stripping out layers of management, the ability to reward people through plex. PRP, and a widening of pay scales, is one answer.

Third, as Louis Wustemann of the IRS points out, although PRP companies often seem to as the NES does not break make higher pay awards than

non-PRP companies, many of them are actually making substantial savings in salaries. That is because a surprising number of companies in sec-tors such as finance and chemicals still have service increments which can pay people about 2 per cent a year, as they move up seniority scales, on top of an annual pay rise. With the introduction of PRP these service increments are usually

There are more traditional arguments in favour of PRP which few people disagree with in principle. Why pay the same rise to someone just avoiding the sack, as to someone who is making a substantial contribu-tion? Also, it is inefficient to thing they are good at to some-thing they might not be good at because it is the only way of

paying them more.

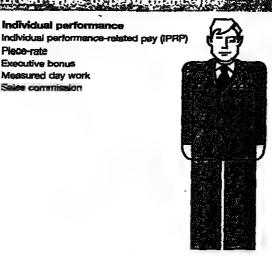
The principle is fine but, as Wustemann says, PRP is something that is easy to do badly. The fair and accurate measur ing of individual differences in performance is an art still in its infancy.

Most personnel managers say it is easier to measure performance for senior staff with some autonomy or for clerical staff with clearly defined functions. But for the growing number of middle-ranking, white-collar staff, things are more complex and many such employees believe themselves to be victims of blas in line manager appraisals. There is also some doubt that individuals will increase their effort to gain more reward, especially as the sums involved are usu-

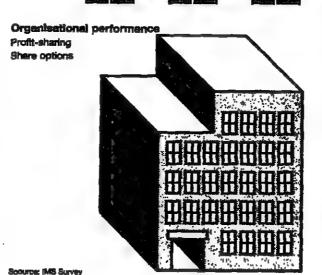
ally quite small. Alan Wild, head of employee relations at Guinness, says PRP must be only one piece of the motivational matrix.

Most practitioners believe PRP is not a re-incarnation of the bogus productivity deals of the 1960s. There are, however, limits to its progress as team-work for both blue- and white-collar workers switches attention to group reward systems. For senior staff it will, according to Wild, continue to play a useful role in 'focusing" efforts.

Further articles on PRP will appear in the next few weeks.



Team performance Team bonus Gainsharing (ie cost-effec Measured day work Plece rate



Lucy Kellaway asks if incentive plans are really all they are cracked up to be

at your greens and known that punishment is inefthen you can have an ice cream. Do your homework and then you can watch television. Work harder and then you can have a bonus

The notion of offering a reward for good behaviour is embedded in Anglo-Saxon culture. Parents do it and so do companies. Performance-related pay, bonuses or other forms of incentive scheme are used by most British and US companies. Those that do not are regarded as being in the managerial dark ages.

Imagine the outcry when a respected management theorist suddenly announces that all such reward systems are bound to fail and should therefore be removed. Writing in the latest issue of the Harvard Business Review, Affie Kohn argues that at the heart of per-formance pay lies a mistaken view of what motivates people: rewards do not change attitudes or commitment to any task. They simply, and tempo rarily, change what we do.

Kohn draws on dozens of studies in the US which show that at best rewards buy short-term compliance. The more complicated the task, the more ineffective the reward. He argues that incentives are equally hopeless at motivating senior and junior employees. Both on the shop floor and in the boardroom rewards are powerless to increase results. Surveys have failed to establish any link between top pay and company performance.

Kohn cites the example of a mid-western manufacturing company, where an incentive system for welders was suddenly dropped. Productivity fell initially, but after a few months was back where it had heen before.

Six reasons are advanced to support his thesis: Pay does not motivate paople. Studies have shown that if you halve somebody's pay you demotivate them, but if you double it the reverse does not

happen. Moreover, if you ask people what matters to them

most in their jobs, money usu-

ally comes well down the list.

· Rewards are like punish-

fective, but rewards are just as manipulative of employee behaviour. Those who do not get a reward may feel as if they have been punished.

• Rewards destroy co-opera-

tion between employees in the scramble to compete for them. They also encourage people to suck up to the boss.

Rewards mask what is happening in a company. Managers frequently use rewards as a substitute for dealing with the problems that cause low pro-ductivity. It is easier to offer a

reward than to treat workers

well, to give them feedback, support and freedom.

• Rewards discourage people from being imaginative and from taking risks. Instead, employees focus narrowly on the criterion for the reward, and may even falsify records to ensure the reward is theirs. • Rewards divert attention

Rewards destroy employee co-operation in the scramble to compete for them

from the job in hand, by encouraging workers to concentrate on the reward rather than on the work. If the work is seen as a means to an end, it omes less destrable.

Kohn is not a lone voice. Other management thinkers in the US - such as Robert Fritz, a composer turned management guru - are reaching the same conclusion. He argues that people are really looking for involvement, not for reward. "If you have been raised to think what's in it for me, you can't be involved. Companies should encourage people to play the game for its own sake," he says.

Kohn's article, however, has drawn an angry bowl from thinkers. Those who make a living from selling such incen-tive schemes have been left apoplectic with rage G. Bennett Stewart III of Stern Stewart, a financial advisory firm, fears the very future of capitalism is at stake. He had written ment. Managers have long

to the Harvard Business Review protesting that: "A world without A's, praise, gold stars or incentives? No thank you, Mr Kohn. Communism was tried and it didn't work."

Jerry McAdmans of the US

consultancy Performance

Improvement Resources claims
that "Kohn's article is a pro-

vocative exercise in attention getting and niche marketing". Others have taken issue with parts of Kohn's thesis, while admitting that there is good sense in some of it. Andrew Lebby of the Washington DC-based consultants The Performance Group argues that vation it may be valued by employees as a sign that employers appreciate their

Still others dispute the notion that concentrating on money detracts from the job itself. One reader quotes the poet Anna Sexton: "I am in love with money, so don't be mistaken. But first I want to write good poems. After that, I am anxious as hell to earn money and fame and bring the stars all down." Another disagrees that incentives encourage employees to undermine each other, arguing that rewards for teamwork are the

It is one thing to dismiss incentives, it is another to come up with an alternative system. Michael Beer, profes-sor at Harvard Business School to pay everyone the same and offers his own solution. Mangers should not use pay as a means of motivating, but should pay people equitably. There should be no quarterly or annual bonness. Instead, he argues, the best 10 per cent of employees should be rewarded for outstanding, long-term performsion. The worst perform-ars should be "weeded out". All the others should be praised and have their contri-

Rather than hard out iswands from believes computer should offer employees better jub content, a share in the decidant and a climate of the decisions sum a common to support. But there is no top-of that as long as they go on freeting their people like pets.

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Television/Christopher Dunkley

Try the taste for starters

sion these days is the sheer quantity. Take a break and when you come back there is so much to catch up on that the benefit of the holiday rapidly evaporates. You can expect no sympathy, of course, if you complain about being paid to watch television, yet a sense of panic can set in when you sit down with the Radio Times at the beginning of a week and realise just how much has to be watched, Even with three video recorders for evenings when there is a four-way clash at 9.30, you still find yourself hunched, red eyed on the old green sofa, zapping from one channel to another, forever convinced that you are missing a masterpiece somewhere. The danger is that in trying to get a taste of everything you do not get the true flavour of anything. Still, in Week 1 of the return there was really no choice: widespread sampling was a necessity.

MONDAY. BBC1's Watchdog

under its new presenter Anne Robinson looks as though it may be turning into yet another example of a "people show" instead of the consumer series it used to be, but we shall need to see more to be sure. BBC2's The Incredible Shrinking ns is presented, of course, by Martin Jacques. "Of course because nothing is so slavishly trendy as television and left winger Jacques has taken over from left winger Peter Kellner as flavour of the moment for political programmes. He is personable enough but currently ridiculously over exposed. Moreover his thesis here, that politics is in long term decline, seems doubtful. More likely a blip

on the historical graph. TUESDAY. Anyone who thought that the Beadle shows reached the limits of cringe-TV ought to glanceat The Hypnotic World Of Paul McKenna on ITV. It is difficult in a free society to defend the now defunct IBA rule banning hypnosis programmes; if the victims are willing and paid who are we to act as nanny? Yet I would no more watch this voluntarily than pelt a victim in the stocks. Without Walls on C4 has become just about the best culture series on television. The item "Reith To The Nation", seems unsure whether to tackle the condition of the BBC or the weindness of Lord Reith as revealed by len

t the Met, as at Covent

Garden, early Verdi sud-

Lombardi is to be pres-

ented by the company for the first

time in December, Stiffelio has just opened in a production which, at

least in textual terms, goes a step

further than last season's Royal

Opera House version towards

restoring the work that the com-

poser refashioned as Aroldo in 1856.

denly seems to matter. I

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4:

he trouble with televi- McIntyre's recent book, but it succeeds moderately in both. Tony Parsons' blast at Kuhrick for banning A Clockwork Orange from British screens is an excellent example of the arts polemic we have come to expect from this series. It looks as though the second batch of Bettpeen The Lines will confirm this BBC1 production as much the best current police series ... even if the idea of a cabinet minister removing his secretary's bra in front of a brightly lit un-curtained window is laugh-able. You might have thought it difficult to make a character as odd as Houdini vaguely boring yet Omnibus manages it. Pirates And Emperors - Who Is The Terrorist? on CA has a single unoriginal point to make but makes it well: that today's vilitied terrorist is tomorrow's respected government minis-

WEDNESDAY. The best comment about Margaret Hilda's appearance in Thatcher: The Downing Street Years is made by Kenneth Clarke during an engrossing Late Show on BBC2 which discusses history as print and as television. She is like a jet turbine, he says: while an internal combustion engine can work at various speeds, she is only capable of operating at 30,000 lb thrust. No book will ever achieve what BBC1's Thatcher series is managing in conveying the attitude, tone and presence of the former prime minister. On the other hand it is hard to see the value of The Almost Complete History Of The 20th Century on C4 which dubs "funny" lines onto archive newsreel

THURSDAY. The producers of The Music Game on C4 seem to have noticed that My Music was hugely popular for many years even though the participants were not great musical experts. Unfortunately they appear to have missed the fact that Muir, Norden and the others were charming, funny and unusually inventive. BBC2's Red Dwarf has always contained the sort of jokes which delight first year undergraduates after they have drunk 12 Budweisers and, judging from today's episode, this sixth series is not even up to that stan-dard ... yet who would miss it? Gags in deep space make such a refreshing change from Ding Dong Honey I'm Home. How splendid to ver that I did miss today's episode of Absolutely Fabulous on its



Reith to the Nation': Timothy West as Lord Reith in Channel 4's 'Without Walls'

first transmission: with Jennifer Saunders being so clever and Joanna Lumley proving not just outrageously fanciable but such a natural comedian it is a superbly entertaining series. Lumley's dismount from the motorcycle was the highpoint of the week. In World Chess why does C4 not tell us the score to date? Could it be such a disaster for Short that they do not dare? Having been away perhaps I shall never know.

FRIDAY. ITV's drama series Demob, starring Griff Rhys Jones and Martin Clumes as a couple of inept comedians in the postwar music hall, is workmanlike and contains a straight (well, semi straight) performance from the late great Les Dawson. Yet the time drags and I cannot see myself watching next week's episode. Eurotrash on C4 with Antoine de Caunes and Jean-Paul Gaultier competing in zer farnee aggrents competition and items concentrating on sexual trivia (the public hair stylist, a new show at the Folies Bergère) is the sort of zany time-passing programme which you watch late in the evening when there is nothing worthwhile elsewhere. Late Night With Conan O'Brien on BBC2 proves that, with Johnny Carson gone and David Letterman switching net-

works, the American chat show is in deep trouble. O'Brien is awful and the show, because it seeks nothing from its guests, even worse. Pessimistic reports about Danny Baker's new show filtered back as far as Umbria, but surely his series must be better than this.

SATURDAY. It is. In fact, Danny Baker After All (BBC1) is very good Saturday night entertainment, and if they manage to find one guest in six who is as good a reconteur as Rik Wakeman today, this could become as big a draw as the early Parkinson. Earlier in the evening Harry looks like a too-carefully contrived vehicle in which Michael Elphick can merely carry on from his Boon character, this time as a rough diamond journalist; formula drama which may sustain the ratings but will never tell us anything we did not know about the human condition. D.A. Pennebaker's documentary on BBC2 about the Clinton election staff, The War Room, is good but not great. We have seen much of this sort of material and you have to do something more unusual to stand out nowadays.

SUNDAY. In the early evening there are three documentary series which could keep me hooked for weeks. Theatre School on BBC2 may be at its most fascinating in this

opening episode with the auditions and some pretty brutal interviews, but it is very nicely edited and promises much. If, like me, you have bought and driven old German motorbikes then you will devour every minute of C4's Classic Motorcycles and if not you will probably be bored to tears; it seems to be dictated entirely by the availability of archive footage. Locomotion on BBC2, however, is not solely for steam train freaks since it seems far more concerned with the social implications of the development of the railways, which makes a change. With Scarlet And Black (what happened to the definite articles?) BBC1 faces a tough job: proving that it really is best when it comes to the classic literary adaptation. Stephen Lowe's decision to insert Napoleon into his dramatisation as a sort of Tinkerbeil, flying around offering our hero terse advice, scarcely makes matters easy. But Stendhal was a good storyteller, the casting of Alice Krige as the beautiful young wife, ripe for a love affair, is spot on, and, apart from some nasty background music, all the ingredients are in place: caridylls straight out of a margarine

riages, outsize top hats, sylvan

Theatre/Alastair Macaulay

The Madam of the Balconies

That price beauty in times of poverty? Why work to revive the art of the past when deprivation is all around? With lyricism and with poignancy, this play by Mario Vargas Llosa addresses these questions. It has no answers; this is not (thank heavens) a didactic play. At times, indeed, it is hardly a play more a great swelling funeral ode for the culture of the past. But one watches it with a very full heart. A work of art is a testament to the glory of the human spirit. How then can men so readily let art be destroyed? Alas, they do so all the

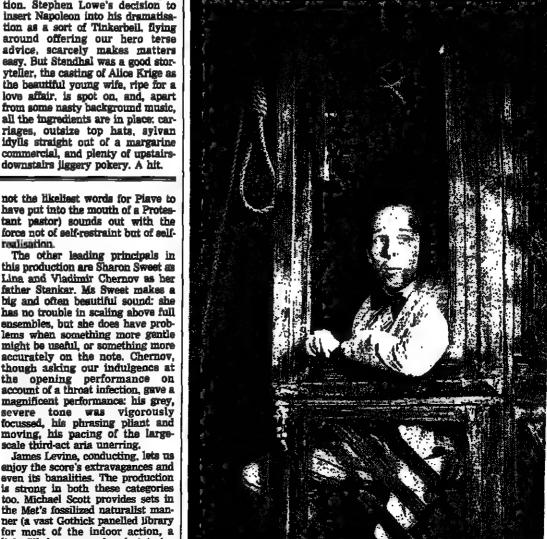
Professor Brunelli, "the madman of the balconies", is an old Italian who lives in a scruffy old district of Peru and who, as old houses are destroyed to make way for modern high-rise tenements, dedicates his life to saving their balconies. Each old balcony is an example of artistic traditions that speak of generations of Spanish and Arab craftsmanship that speak of the cross-cultural paths of culture itself. The professor leads a crusade of enthusiastic young boys and old women - a cru-sade that fails. Modern town planners reject the balconies as antiquated, native South Americans revile them as examples of cultural imperialism, the old ladies are scared away by the dangers of the slum districts, and the Professor's own daughter blames bim for secrificing her life to his cause.

This Gate staging has designs by Marjoke Heurichs of aching beauty with shards of old-gold balconies in layer upon layer, foreground, midground, background, against dazzling azure. Hettle Macdonald, directing, has caught a sense of South American culture by qualities of intonation and gesture throughout her cast of 15. She fills breadth of character and colour that we are often contentedly suspended in a situation that is nearly plotless.

The performance is dominated by Peter Eyre, who makes the Professor as cultivated, as quaint, as significant, as one of his balconies. He rises to, and reveals, the lyric thren-ody of Llosa's text with the greatest vocal distinction. He employs an old tenor voice - now reedy, now mellifluous, now suddenly descending into a deep, mellow baritone - and effortlessly strings three or more sentences together on a single breath: all of which conveys not virtuosity but feeling. Much of the play consists of his soliloquies which often are his tender address to the city of Lima itself, "my little

I wish the Gate supplied its audience with more information about this play - its date of composition, its previous performances, and so on; but I have little else to object. The Gate's reputation is largely built upon its stagings of foreign plays by dead authors, and it is good that (since Llosa is alive and kicking) this production reminds us that the Gate also honours world drama of the present day. Llosa never tells us that his balconies symbolise anything. It is enough for him to make the Professor's world real to us: admirable, Still, we may certainly take those balconies as symbols. And among other things they symbolise the art of the Gate itself - the little theatre that in impoverished conditions struggles to revive the past, to enlarge our knowledge of cultures outside our nation, and to make us feel that other cultures are in fact ours too.

At the Gate, W.11, 071-229-0706, until November 37



Peter Eyre as the Professor

Opera/Paul Griffiths

'Stiffelio' at the Met

them, then, this will have been an occasion of some moment. Here at last is the piece, with the music not used in Aroldo - music long thought ditched or lost, and recoverable only from copies - played from a new edition that has benefitted from the rediscovery last year of

after several years of having his original bowdlerised. the autograph material. What we were hearing, indeed, was the first performance anywhere Whether Stiffelio will now become as familiar as La Traviato, or even. of what he wrote. At its premiere, in Trieste, the piece was stymied by La forza del destino, is, however, censorship (unsurprisingly, given uncertain. It's a strange piece. Some of the orchestral writing seems that it is set in Austria and puts clerics, albeit Protestant clerics, on frankly experimental - not so much in the overture, which is a miscelthe singing stage), and in subsequent revivals the minister Stiffelio lany (little wind pipings cruelly became a prime minister, necessihard to play, a broad trumpet tune, tating the wonderful new title of Guglielmo Wellingrode. The Aroldo a bright unashamed dance), but certainly at the start of the second act. where a moonlit churchyard calls adaptation has generally been regarded by Verdi experts as a desup chromatic curlings from divided strings and a jamming of unlike themes, or in the third, where dissoperate attempt to retrieve a messy situation, and certainly the resultnance is an emblem of the doubt ing score remains the least loved of felt by two audiences - that in the Verdi's post-Rigoletto operas. church on stage, and that in the According to those same experts, Stiffelio, written immediately before theatre - as to what Stiffelio will do and say when he goes up into the Rigoletto, is the real thing. For

pulpit after the catastrophes that have abruptly befallen him: learning of his wife's unfaithfulness, and having his conciliation pre-empted by his father-in-law's murder of her

Another curiosity of the opera is that these things aren't substantiated by what we see. The lover, Raffaele, is an exceedingly shadowy figure. In the first act he features prominently in just one tiny scene; in the second his main function is to prompt the lady, Lina, from her cantabile into her cabaletta; and in the third he gets killed almost without opening his mouth. One has the ssion of a character who is refusing to take part for fear of incriminating himself. His silence, and his burying of himself in the work's majestic ensembles (other characters are buried there too: Dorotea and Federico), help to create the pall of guilt that gives the opera, right from the start, a quite particular colour

Or maybe this is only the pall of our own ignorance of the work,

here to be placing us quite actively in ignorance, so that we may sympathise with Stiffelio in his gradual awakening to the truth, and also in his moral resolve to deal with the present and not rake over the past. The role is, again, unusual. Lyricism is the way Stiffelio behaves under delusion: in a beautiful barcarolle near the start, with an orchestra mellowed by horn tone, he tells of seeing an amorous escapade which he does not know involved Lina and Raffaele. Thereafter, along the line of his discovery and self-discovery, his big numbers are all duets and ensembles, and his vocalism becomes urgent, declama-

though I doubt it, since Verdi seems

tory, baritonal. The part could have been made for Placido Domingo at this point in his career: what might otherwise be faults - the hefty projection, the top beginning to waver - become the means by which he conveys the man's solidity holding against extremes of pressure. There is no refuge here in piety: his great cry of "Sacredote sono!" (perhaps

not the likeliest words for Piave to have put into the mouth of a Protestant pastor) sounds out with the force not of self-restraint but of selfreguisacion.

downstairs liggery pokery. A hit.

The other leading principals in this production are Sharon Sweet as Lina and Vladimir Chernov as her father Stankar, Ms Sweet makes a big and often beautiful sound: she has no trouble in scaling above full ensembles, but she does have problems when something more gentle might be useful, or something more accurately on the note. Chernov, though asking our indulgence at the opening performance on account of a throat infection, gave a magnificent performance: his grey, severe tone was vigorously focussed, his phrasing pliant and moving, his pacing of the largescale third-act aria unerring.

James Levine, conducting, lets us enjoy the score's extravagances and even its banalities. The production is strong in both these categories too. Michael Scott provides sets in the Met's fossilized naturalist manner (a vast Gothick panelled library for most of the indoor action, a light-filled creamy church interior for the final scene); Giancarlo del Monaco's work as director is in the same vein.

violin soloist Kyoko Takezawa. Sun evening, next Wed: concert

performance of Der fllegende

Hollander. Tues: Sandor Vegh

conducts Camerata Academics Salzburg. Nov 16, 17: Nikolaus

Hamoncourt conducts Brahms German Requiem (040-354414)

Deutsches Schauspielhaus

Tomorrow: first night of new

production of Goethe's Faust Parts

by Christoph Marthaler. Nov 19:

One and Two, adapted and directed

INTERNATIONAL

BONN

Oper The main event this month is Gian-Carlo del Monaco's new production of La fanciulia del West, opening on Nov 14 with a cast led by Barbara Daniels, Alexei Steblianko and Shemill Milnes. Repertory includes Lortzing's Der Wildschutz, Verdi's Otello and Prokofiev's ballet Romeo and Juliet (0228-773667)
Beethovenhalle Tomorrow: Michael

Schoenwandt conducts Orchestra of the Beethovenhalle in works by Bartok and Schoenberg, with violin soloist Alexnader Zeiher. Fri and Sun: Continuum Ensemble in contemporary vocal and instrumental music from Ukraine and the Caucasus (0228-773666)

■ BORDEAUX

Palais des Sports Tonight and tomorrow: John Nelson conducts Orchestre National Bordeaux Aquitaine in a Grieg programme, with plano soloist Kun Woo Paik and soprano Solveig Kringelborn.

Next Tues and Wed: Yutaka Sado conducts works by Prokoflev and Shostakovich, with piano soloist Barry Douglas. Nov 12-18 at Grand-Théatre: Stravinsky ballet production (5648 5854)

COPENHAGEN

Royal Theatre Tonight, tomorrow: choreographies by Balanchine and Anna Laerkesen. Fri: Alexander Gibson conducts David Radok's new production of Peter Grimes. with a cast led by Stig Fogh Andersen, Tina Kiberg and Norman Bailey. Sat: Tchalkovsky ballets. Sun, next Tues: Don Pasquale. This month's repertory also includes La traviata, Napoll and guest performances by Tokyo Ballet on Nov 19 and 20 (tel \$314 1002 fax 3312 3692)

■ COLOGNE Philharmonic Tonight: Lockenhaus Festival Ensemble, including Elena Bashkirova and Tatiana Grindenko, plays chamber music by Schumann and Schnittke. Fri: Leonard Station conducts Saint Louis Symphony Orchestra in works by Claude Baker, Beethoven and Stravinsky, with piano soloist Rudolf Buchbinder. Set: Gary Bertini conducts Cologne Radio Symphony Orchestra in Debussy, Ravel and Tchaikovsky. Sun morning, Mon and Tues evening: Paavo Berglund conducts Gürzenich Orchestra in Ravel, Shostakovich and Sibelius, with cello soloist Frans Helmerson. Sun evening: Armin Jordan conducts ·Orchestra de la Suisse Romande

in Gaudibert, Bartok, Debussy and Ravel, with plano sololst Martha Argerich. Next Wed: Colin Davis conducts Dresden Staatskapelle. Next Thurs: Jessye Norman (0221-2801)

Opernhaus This month's repertory Billy Budd with Boje Skovhus and Victor Braun, Tosca with Galina Kalinina, a TanzForum triple bill choreographed by Jochen Ulrich, Die Zauberflöte and L'Italiana in Algeri starring Kathleen Kuhlmann and Ferruccio Furlanetto (0221-221

m DUSSELDORF

Schauspielhaus This month's programme is dominated by three Shakespeare productions - A Midsummer Night's Dream, Romeo and Juliet and a new production of Troitus and Cressida opening on Nov 20. Repertory also includes Brecht's Mr Puntila, ibsen's Peer Gynt and a new production of Büchner's Woyzeck, opening on Nov 14 (tickets 0211-369911 information 0211-162200) Deutsche Oper am Rhein Tonight: Die Zauberflöte. Tomorrow: Aribert Reimann's Kafka opera Das Schloss. Frt: The Golden Cockerell, Sat: Stravinsky ballet programme. Sun: Le nozze di Figaro. Next Tues: Heinz Spoerli's production of Swen Lake (0211-890 8211). Duisburg Theatre has Fidelio on Sat and Don Giovanni

on Sun (0203-300 9100) FRANKFURT

Alte Oper Tonight: Cliff Richard. Tomorrow: BB King. Fri: Jessya

Norman. Sat: Murray Perahia directs Chamber Orchestra of Europe. Mon: Fats Domino. Tues: Colin Davis conducts Dresden Staatskapelle in symphonies by Beethoven and Berlioz (069-134 0400) Jahrhunderthalle Tonight,

tomorrow: Compania Nacional de Danza, Madrid, in choreographies by Nacho Duato (069-360 1240) Oper Tomorrow and Sat: Il barbier di Siviglia. Fri and Sun: Cosi fan tutte. Nov 14: first night of new production of Simon Boccanegra (069-236061)

■ GOTHENBURG

Konserthuset Tonight and tomorrow. Neeme Jārvi conducts works by Stenhammar and Richard Strauss. Next Tues: chamber music programme with works by Varese. Zappa and Bernstein (031-167000)

HAMBURG

Staatsoper Tonight, Fri, Sat, next Mon: John Neumeier's version of Swan Lake. Tomorrow, next Wed: Fidelio. Sun: choreographies by Neumeier, Van Manen and Ek. Nov 12, 17, 20; John Neumeier's ballet to Mozart's Requiem. Nov 13, 18, 24, 26: La traviata with Tiziana Fabbricini. Nov 14, 21, 28: Tristan und Isolde (040-351721) Musikhalie Tonight: Armin Jordan conducts Orchestre de la Suisse Romande, with piano soloist Martha Argerich. Sun morning, Mon evening: Walter Weller conducts Hamburg State Philhamonic Orchestra in works by Mozart, Brahms and Rakhmaninov, with

German premiere of Tony Kushner's Angels in America (040-248713) MUNICH

Staatsoper Tonight, Sun: La boheme. Tomorrow: Minkus' ballet Don Quixote. Fri, next Tues: Michael Boder conducts August Everding's production of Penderecki's Ubu Rex, with Robert Tear in title role. Saturday, next Wednesday: Le nozze di Figaro. November 11: the first night of a new production of La Damnation de Faust (089-221316)

Gasteig Tonight: Polish Classical Philharmonic Orchestra plays concertos by Pieyel, Hummel and Devienne. Tomorrow: Leonard Slatkin conducts Saint Louis Symphony Orchestra in works by Berlioz, Barber, Seethoven and Gershwin, with plano soloist Rudolf Buchbinder, Saturday, Colin Davis conducts Dresden Sattskapelle in Beethoven's Sixth Symphony and Brahms' First. Sunday, next Tuesday, Thursday, Friday: Sergiu Celibidache conducts Munich Phitharmonic Orchestra in symphonies by Haydn and Tchaikovsky. Monday: Jessye

Norman song recital (089-4809 8614)

OSLO

Konserthus Tonight: Budapest Gypsy Orchestra. Tomorrow, Friday: Hammut Haenchen conducts the Oslo Philharmonic Orchestra in works by Ame Nordheim (b1931), Strauss and Schubert. Saturday: Ravi Shankar. Monday: Itzhak Periman violin recital. Next Thursday, Friday: Ellahu Inbali conducts Mahler's Seventh Symphony (2283 3200)

■ STOCKHOLM

The Royal Opera has new production of La traviata conducted by Marco Guidarini, staged by Knut Hendriksen, with Lena Nordin and Britt Marie Aruhn alternating as Violetta. Repertory Includes Elektra, Cav and Pag. Boccaccio and Beryl Grey's Sleeping Beauty. Later in the month new productions of The Turn of the Screw and Glen Tetley's ballet The Tempest (tickets 08-248240 information 08-203515)

CONCERTS

Sixten Ehrling conducts Swedish Radio Symphony Orchestra and Chorus at Berwaldhallen tomorrow in works by Verdi, Wagner and Blzet (08-784 1800), Itzhak Perlman gives a violin recital on Sun at Konserthuset. A Penderecki Festival takes place from Nov 11 to 20, featuring more than 35 works for orchestra, chorus and chamber ensemble (tickets 08-102110)

ARTS GUIDE

Monday: Berlin, New York and Paris. ruesday: Austria, Belgium, Netherlands, Switzerland Chicago, Washington. Wednesday: France, Garmany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Ali times are Central European Time)

MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel West of Moscow 1230. Super Channel: Financial Times Reports 0630 Wednesday Super Chan-nel: Financial Times Reports 2130 Thursday Sky News: Financial Times Reports 2030; 0130 Friday Super Channel: European Business Today 0730: 2230

Sky News: Financial Times Reports 0530 Saturday Super Channel: Financial Times Reports 0930 Sky News: West of

Moscow 1130; 2230 Sunday Super Channel: West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330: 2030

My identity is "national". Yours is "ethnic". Those OVET there "tribal". No doubt there are text-books that define those

three adjectives, and distinguish them by objective crite-ria. But in everyday usage they express a value judgment, or even a political prescription.

The word "national" implic-

itly asserts a right to state-hood. Irish nationalists, for example, are people who are proud to be, or think they really should be, citizens of an Irish state. A "national minority" is a group whose members do not share the national identity of the majority of their fellow citizens. They may accept that situation as tolerable, but in their hearts they identify with another state - which may already exist on the other side of a frontier, or may as yet

be only a dream.
If I call such a group an "ethnic minority" (am implicitly distancing myself from those aspirations. By calling some one an "ethnic Hungarian", for instance, I am saying: "This chap likes to think of himself as a Hungarian, and we must respect his culture and identity, but of course he is a Romanian (or Slovak or Serbian) citizen and there is no question of that changing."

So "ethnic conflict" is some thing regrettable, in which the speaker is implicitly neutral; whereas a "national struggle" is something heroic, in which there are goodies (a nation defending its right to exist and the rightful frontiers of its state) and baddies (an imperial power denying that right, or an aggressor violating those fron-tiers).

As for "tribes", they are dellnitely uncivilised. A "tribal" conflict is not merely regrettable but deplorable and irrational. If I refer to "tribal" behavlour in a European context there is a strong overtone of racism: I am saying that people who behave like that are not truly European. And if I call a group's aspirations "tribal", i imply that they need not be

taken seriously. Most English people think of Northern Ireland as tribal. They see the violence there as profoundly irrational; they make no distinction between the different groups engaging in it; they tend to see Northern

Rule by number not OK

Voting cannot change an ethnic identity, in Belfast or in Bosnia

Irish society and culture as producers of violence, more han as victims of it; and they have little patience with, or interest in, the political programmes of any of the Northern Irish parties.

Actually the issue in Northern Ireland is simple. It is a conflict between rival national or (if we wish to be superior and neutral about it) ethnic identities. One side feels Irish and would like to be part of a united Ireland, though It is deeply divided about how feasible that is as a political objec-

The British instinct is that the matter should be settled by a show of hands

tive, and about what means are legitimate, or likely to be effective, in pursuing it. The other side is deeply confused about its national identity (British? Scots? "Ulster"?) but is absolutely clear that it is not part of the Irish nation and does not want to be part of the Irish state.

The British instinct is that the matter should be settled in a sensible British way, by a show of hands. Thus successive British governments have said that Northern Ireland will remain part of the UK so long as that is what the majority wants, and at least twice this century referendums have been held to make sure that the majority has not changed

Ironically the same mistake was made, with even more disastrous consequences, by the European Community when it called for a referendum before recognising the republic of Bosnia and Her-

It is a mistake to suppose that such questions can be set-tled by majority vote, because the notion of a majority vote (and even more so that of majority rule) presupposes the prior consent of the minority to be bound by the result. In other words, both sides have to form part of a pre-existing political community, committed to stay together whichever way they go. If no such community exists, you cannot call it into existence simply by establishing that one side is

more numerous than the other - a fact that both sides are usually well aware of aiready. Democracy is not the same as demography. Even if, by virtue of differential birth and migration rates, the Protestants one day find themselves the minority in Northern Ireland, they will not thereby be convinced that they should accept Irish unity or that it is a good thing - any more than their grandparents were convinced by the fact that they were a minority in Ireland as a

Indeed, it is probably the fear of such a scenario, rather than "blind" revenge for IRA atrocitles, that motivates the growing number of murders by Protestant paramilitaries. Mowing down innocent people a village In County Londonderry, where Catholics and Protestants mix and Sinn Féin scarcely gets a vote. makes no sense if the object is retaliation against the IRA.

But it does make sense, in a horribly familiar way, if the object is to drive the two communities further apart, persuading both that they can feel safe only in ethnically homoge neous and militarily defensible territorial blocs. "Ethnic cleansing" is the ghastly price some people are prepared to pay, or to make others pay, rather than let themselves be dragooned, even by the ballotbox, into a nation-state they do not recognise as theirs.

How wise, then, of Mr Dick Spring, the Irish foreign minister, to make the consent of the unionist community, rather than simply of a majority in Northern Ireland, one of the six "guiding principles" for an agreement which he set out last week. The Irish conflict is not about majorities and minorities; it is about the coexistence, peaceful or otherwise, of people with sharply different national identities.

There is no single model of the welfare state in modern capitalist econo-

ent structures reflect the difstances under which countries created their welfare systems. It is not surprising, there fore, that the pressures straining welfare states across the world should manifest iselves in different ways. Each country faces its own particular problems in funding

pensions, social security and health services. Yet in dealing with the pressures, countries with very dif-ferent benefits systems are dopting similar solutions. There may be many more similarities between the welfare ements of countries in the future than there are

Welfare states fall into three broad types, according to Pro-fessor Gosta Esping-Anderson, of the European university in Florence. He describes these as the conservative, liberal and social democratic models.

The conservative model involves the sort of social insurance schemes found in countries such as Germany, France and Italy. They were introduced by governments such as Bismarck's in Germany in the 1880s, to reinforce society and family life against integrative pressures of the market economy.

Social insurance schemes focus mainly on employees funding unemployment benefit, sick pay and pensions through employer and employee contributions. Strongly influenced by the social philosophy of the Catholic church, the conservative model emphasises the role of the family, with family benefits designed to encourage motherhood. Those outside the labour market, such as women caring for children, often had few individual welfare rights.

The liberal model is based on the safety net approach to welfare, providing state benefits for those in real need. Common in Anglo-Saxon countries such as the US, Australia and New Zealand, liberal welfare states offer subsistence benefits only to those whose means fall below minimum levels.

This reflects the belief of liberal economists that generous welfare benefits will interfere with the efficient working of labour markets. It also encourages the development of private welfare systems, with bet-

Rising costs are forcing changes in the financing of different welfare systems, says John Willman

Individual ways to coin it

ter-off individuals either nego-tiating welfare benefits at work, or buying them from

insurance companies.

The third model is the Scandinavian social democratic welfare state, in which all citizens have rights to benefits pro-vided by the state out of taxa-tion. Benefit levels are usually generous. They are often related to income, so that even middle-class professionals can

rely on them This type of welfare state is ypically underpinned by some sort of employment guarantee. such as that, for example, which kept unemployment low in the Scandinavian countries until recent years.

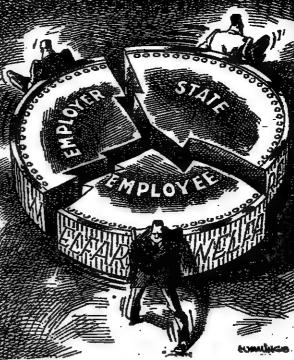
The architect of the social democratic model was Sir Wil-liam Beveridge, whose 1942 report provided the blueprint for a "cradle to grave" welfare state in the UE. This would not only redistribute income in those in need and the better-off. It would also act as a savines bank, with individuals paying in at times of prosperity and drawing out when sick, unemployed or retired.

Yet shortage of funds is turning the UK social security system from a social democratic model to a liberal one. An increasing share of welfare support comes in the form of means-tested safety net benefits. These have been insufficient for the people on higher incomes to live off, encourage ing private provision - particularly in pensions.

All three models of welfare state have run into problems as their costs have climbed. The first to feel the heat was the liberal model. Although less generous than other types of welfare state, it is usually funded out of taxation. It has

therefore been an early casualty of the tax revolt in which better-off voters have refused to support higher taxation to pay for the cost of a welfare state from which they increasingly opt out.

Similar pressures have emerged in the social democratic welfare state, which places enormous burdens on public funds. Countries such as



vere initially able to fend off taxpayer revolts by generous provision for higherincome groups. But the cost pushed tax rates to unsustainable levels, leading to the election of governments committed to reducing welfare benefits. The conservative model is less susceptible to taxpayer

There is increasing pressure for people to make their own provision

pressure, since it is largely paid for by employee and employer contributions. However, employers have become concerned about the growing cost, which in Germany will next year reach almost 20 per cent of earnings for both employees and employers. Concerns over industrial competiprinciple. Benefits are octilg reduced and no longer paid out as of right - the unemployed must actively seek work to qualify. Coverage has been extended to those not in employment. Some of the cost is being shifted from social incorporate to managed taxation. insurance to general taxation. instrance to general talative.

In the different types of welfare state, common themes are emerging as these reforms progress. One is a greater emphasis on ensuring that social security systems do not impede the reduction of unem-ployment. Lower benefits, requiring the unemployed to undergo training and work-fare-type policies involving work in return for benefits, are

all designed to boost employ-ment levels. Another is increasing pressure for people to make their own provision for welfare. It is still largely the Anglo-Saxon countries that offer incentives for private provision. But reductions in benefits in other countries will encourage individuals to do more to provide for themselves. So, too, will moves to restrict indexation of pensions to retail prices, which educes pensions as a propor-

them lengthened increasingly,

employers and employees are expected to make contributions

to the cost of benefits, as in

other welfare states.
Countries such as France

Germany and Italy with con-servative welfare systems have

attempted to control costs by weakening the social insurance

principle. Benefits are being

remose pensions as a propor-tion of average earnings.

A third theme is a widening of the funding base for public welfare schemes. Countries which relied on employer/ employee funding are shifting some of the barden to the government to control overall spending. Those that relied on taxpayers to fund weifare are asking employers and employ-ses to pay more to reduce the

It is too soon to say that the elfare states of the advanced economies are converging on a single model of provision. But most OECD countries are looking to a mixture of welfare funding that includes contributions from the state, employers and employees. Welfare bene-fits will be extended to all citisees, though perhaps at less generous levels than in the past. Across the advanced economies, individuals will increasingly have to comple-ment public welfare provision

series on melfare states across the moria. The first was pubashed on October 25

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax to

IDs: don't leave home without it

From Mrs Barbara Green.

Sir. Liberty, the civil liberties group, is correct to suggest that personal identification cards could be used to discriminate against certain sections of society - those engaged in mischief. ("Plans for ID cards attacked, October 25).

For nine years I have lived as a British expatriate in societies which have required me to carry their own identification papers. Magic! ID cards ensure a swift passage through immigration; facilitate bank transactions; produce registered mail from behind Post Office counters; smooth (as far as is possible) relationships with the tax man; and even provide proof of ownership for the dog's own, health-related,

ID card. IDs offer evidence of legal entry and authorised residence, and satisfy policemen who use spot checks to "dis criminate" against criminals, drug traffickers and illegal

immigrants. Resent my ID card? No. I wouldn't leave home without

Barbara Green. Buzon 162. Mijas-la-Nueva, Mijas 29650, Malaga, Spain

Chunnel link needs bold move

tiveness have forced such

Early responses to rising

countries to launch reforms.

costs have reflected the partic

ular characteristics of the three models. The liberal sys-tem has found it easiest to cut

costs, through greater use of means-testing. Countries such as the UK, US and Australia

have also tightened up the

rules for claiming benefits,

with longer waiting periods and closer scrutiny of claim-ants. Unemployed people face more rigorous requirements to

retrain and seak work. With

healthy private pension sec-tors, these countries have found it easier to increase pri-

Scaling down the demands of

the social democratic welfare

state has proved more difficult.

There is opposition from the

losers, who include many in

the middle classes. Yet the

level of benefits is being

reduced in these countries, and waiting periods for claiming

vate provision.

tunnel and London could be a showpiece for the government's initiative of attracting private capital to public infrastructure projects ("Chunnel link", October 29),

We believe it is important for the government to come up with a scheme for introducing private sector entrepreneurial skills, management disciplines and capital into this transport infrastructure project at an

early stage. In October 1991, the secretary of state announced the government's preference for the route on the lines put forward by Ove Arup & Partners; this was a route approaching central London from an east erly direction. At the same time he requested British Rail to develop this route to a stana subsidiary of British Refl.
For the high-speed rail link
to progress without delay now
requires some kind of joint venture between the private and the public sectors along the lines outlined by the Treasury in its March 1998 guidance notes. This has to be the most appropriate vehicle for the government to take the project forward through its

parliamentary process. Such an arrangement would require. the government to shoulder the political risks and the private sector participant to develop the business aspects. These would include proposals-for full financing and would include the form and amount

From R M Bostock.

Sir, There can be no doubt that the planned high-speed rail link between the Channel largely accepted through a successful public acceptable and condenses of the political ones could be a contribution. All the project risks other than the political ones could be carried by the joint venture. The government's equity interest would be disposed of at the cessful public consultation process carried out over the past six months by Union Railways, time of full financing after

Royal Assent.
The challenge facing the Treesury is to devise a method for selecting an effective and credible private sector participant which would create strong ownership of the project with the government. Such a venture should be put in place now as the project goes to par-liament in March 1994. Without a bold initiative, doubt will remain about the effectiveness of the government's intention of attracting private capital to public infrastructure projects. R M Bostock Oce Arup & Pormers,

13 Fitzroy Street, London W1P 6BQ

The fight to close an unacceptable pay gap an industrial tribunal. Every

From Mx Merial Schindler. Sir, Your article, "Landmark

equal pay ruling is welcomed (October 28), highlights the immense difficulties faced by women who seek to bring equal pay cases. It is surely unacceptable that Dr Pamela Enderby has had to fight eight years even to establish her right to have her case heard by

year, women lose out because of sex bias in employment. Women's work remains undervalued and underpaid Across the board, women earn only two-thirds of a man's average wage. Women contimus to earn less than men in both low-paid, low-status jobs and higher paid jobs. Equal London ECI

pay legislation has been in place for more than 20 years, yet the pay gap persists, encouraged by a government which chooses inactivity over equality. Meriel Schladler, pay squity project, clo Liberty, 21 Tabard Street.

Arguments for auditors' limited liability do not hold water From Mr John A Newman.

Sir, The government is facing pressure to limit the liabil-ity of auditors within the UK. This, it has been suggested, might be achieved by allowing an auditor to agree with the company and shareholders a fixed-figure limit for liability by repealing Section 310 of the Companies Act 1985.

The justification for this seems to be, first, the large number of big claims made in the US; second, the effect this has had on the global indemnity insurance market: and third, that the offshore mutual insurance companies formed by the Big Six or Big Eight have been denuded by claims. These arguments do not hold much water on inspection. First, the particular legal structure and litigious nature of the US makes its experience

inappropriate for an EC mem-

ber state. Second, the professional indemnity market does take account of national differences, and, third, as the financial status of the mutual insurance companies is not publicly available, the validity of the last argument is not question-

Furthermore, the office of auditor is not like other contractual providers of services. Dry cleaners may limit damages that can be awarded against them on ruination of your Armani suit, but dry cleaners are not indirectly reg-ulated by the Department of Trade and industry, and do not owe their existence and income to government itself. The licensed monopoly on the func-tion of auditor is a privileged status for which the govern-ment should continue to insist upon unlimited liability. A cap would devalue the judgmental nature of the "true and fair" view. When government interferes

in the market, the effect on competition should be reviewed. Would the quality and the level of service be helped or hindered by a cap on audit liability?

The lack of a cap means one of the major firms could become insolvent leading to a major shakeout of that firm's clients and the ruination of the partners. Such an insolvency might be beneficial since medium-sized and other specialist players might be encouraged to enter the market for audit of listed companies. The collapse would also encourage the unbundling of services, and perhaps the level of stan-dards of the remaining participants in the market would

TINDEGER. Proponents of capping think that the more risky type of enterprise might have set for it a high limit which would reflect the danger. The current, somewhat random basis of charging audit fees suggests this is wishful thinking. It seems to me that, the riskier the firm, the more likely the limit would be set at the mini-

mum level In conclusion, my feeling is: "If it ain't broke, don't fix it." The present system has lasted well enough for more than 100 years, and there seems to be no real pressure for change from the business community or from the public. Parliamentary time could be well spent on simplifying legislation.

John A Newman,

Chartery Vellocott.

chartery Township occumulants.

Russell Square House, 10-12 Russell Square, London WCIB 5LP

FINANCIAL TIMES

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Wednesday November 3 1993

above-trend growth before the

economy will show any signs of

"There is a slight possibility

that in the first half of next year

inflation will rise above the top of its target range," the report acknowledges, citing the end of

summer price discounting, the effects of increases in indirect

taxes and the introduction of the

community charge. But, "exclu-

ding those taxes, inflation is

expected to start falling in early 1994, and could reach a level close

to the middle of the target range

two risks: first, that the govern-ment will not take sufficient

action to reassure bond market

by closing the fiscal deficit; and

second, that tax rises to close the

deficit will prompt wage-bergeiners to seek compensation and thus

feed inflationary expectations.

Reassuring the financial markets

on the deficit is chancellor

Further fiscal tightening is

almost certainly necessary, and the chancellor would be wise, both

economically and politically, not to delay the medicine. But if he is

considering a cut in interest rates to ensure that the recovery is not

aborted in the process, then, with the necessary caveats about being

prepared to react to future infla-

tionary pressure, the report effec-

tively gives him a green light. Presumably Mr George agrees with the Bank's analysis. So his

statement last week demands a

more subtle interpretation. The

governor is surely correct that a

cut in interest rates, without s

substantial fiscal tightering,

would be a grievous error. But a

cut in interest rates, balanced by tax increases and combined with a

commitment to raise rates if wage

inflation starts to pick up, would

not seoperdise Mr George's anti-in-fiationary objectives. It is this option that Mr Clarke should take.

Clarke's territory.

The Bank's analysis highlights

overheating.

Steady Eddie

at the bank

MR EDDIE George, appointed this summer as governor of the Bank of England, is working hard at his

reputation. The new governor has

assiduously cultivated an image as an inflation-hater. But words alone will not persuade the finan-

cial markets to forget the fact that his tenure as the Bank's deputy

governor coincided with one of Britain's two most destabilising inflationary booms since the sec-

Not that Mr George was person-

ally responsible for the policy errors of the late 1980s. But the

scars clearly run deep, as does his

determination not to see the same

instationary mistakes repeated.

Hence his warning, at the end of

last week, that a further cut in

interest rates might not be com-patible with the government's tar-

get of keeping underlying inflation below 4 per cent a year. Now that

the UK has a golden opportunity to lock into low inflationary

growth, he is not going to see the

Curiously, the same defensive

caution does not shine through

the pages of the Bank of England's latest inflation report. The Bank has clearly gained in stature over

the past year, while the quality of

its quarterly inflation report has

boosted its analytical reputation

in comparison with the Treasury's

monthly monetary report. But the

Bank's report does not, at least at

first sight, appear to constitute the brief from which Mr George was

reading last weak. If the govern-

ment was considering a further

cut in interest rates to coincide

with the Budget, it will find little

opportunity thrown away,

ond world war.

our a

meg

in the report to deter it. The inflationary outlook, the report suggests, looks promising. Labour market pressures are subdued, inflationary expectations have eased substantially since the early summer, monetary growth is inflation objectives and there is

THE LATEST problems with the proposed Rensult-Volvo merger raise important points of princi-

ple, in effect, the French govern-

ment and Volvo management are

saying to the Swedish group's

shareholders; trust us. We will

conduct the merger in a rational

way. We will then privatise the

Volvo's owners may be forgiven

for hesitating: doubly so, given the

French government's damaging

volte-face last week over Air

France, whereby it appeared to duck commercial realities in

consider what is at stake. The

French government argues, with

some show of reason, that merger

must come first, privatisation sec-

ond. Until the combination has

been put in place, after all, it is hard to set a value on the opera-

tion. But this necessarily means

the process will be at the mercy of

politicians. This is not simply a

matter of whether one company's interests will be preferred to another's that might happen in

any takeover. It is more a question

of how far the merger will be

structured in the interests of votes

The French could argue that the

industrial realities point the other

way. Renault has undergone

severe cutbacks since the mid-

rather than profitability.

favour of political expediency. From the Swedish viewpoint.

result as soon as possible.

Private motors last year, it reduced its workforce by 62,990. Granted, non-French workers bore the brunt of these

economies, but the Swedish

unions are apparently auxious enough about their future to carry on backing the deal regardless. The existence of a French golden share, which could in extreme cases reduce Volvo shareholders' voting rights, is not calculated to soothe Swedish sensibilities. But with a little good will, and some more concrete assurances from the French side, none of this need be insurmountable. The deal, after all, has one crucial argument in its favour: that its

than political logic.

This bears out a wider point:
that the whole Renault-Volvo
argument shows why privatisation in Europe has become such an unstoppable force. Across a broad range of industries - cars, telecommunications. computers. chemicals, energy - mergers and joint vantures are becoming essen-

origins lie in industrial rather

The reasons are various: recess ionary pressure, the rising cost of R&D, or - as in telecoms - the changes brought by deregulation. In each case, nationalised compa-nies – awkward in their structure, doubtful in their motivation tend not to get invited to the party. The message for them is a simple one: privatise or perish.

1980s. Between 1988 and the end of Handle with care raid on suspect facilities - a course so perilous that no one is WHEN NORTH Korea threatened seriously contemplating it - eco-

the prospect of a nuclear arms race in east Asia. Although Pyongyang withdrew its threat three months later after talks with the US, the alarm about its purported nuclear ambitions is far from over. On Tuesday, the UN General Assembly - by 140 votes to one expressed concern that North Korea is still refusing to allow full monitoring of its nuclear facilities Energy Agency, Today, Mr Les Aspin, US defence secretary, is in the South Korean capital to discuss what to do next about suspicions that North Korea is processing nuclear fuel into an illegal

Pyongyang's defiance presents the world with a tricky dilemma. On the one hand, it is vital to the credibility of international efforts against nuclear proliferation that the IAEA be allowed to conduct unlimited spot inspections of North Korean facilities. If not, suspicions that it is violating NPT commitments will persist, with the potential to disturb the

see what more the UN can do to force rapid North Korean compliance. Short of a lightning bombing

nomic sanctions are the weapon most frequently mentioned. But a sanctions resolution would almost certainly fall to a Chinese veto in the Security Council. And in any case, tightening the international noose on what is already a parish state would be at least as likely to result in greater instability as to bring Pyongyang's paranoid leaders to their senses.

cated by the fact that no one can be certain whether the North Koreans have any realistic prospect of building a bomb in the near future, or what they ultimately want. It seems unlikely that Pyongyang has stirred up the nuclear question purely for its own sake. More likely, it is seeking, in return for opening up its facilities to inspection, some con-cessions from the US: diplomatic recognition to match Russian and Chinese recognition of South Korea, perhaps, combined with cancellation of what Pyongyang sees as aggressive US military

manoeuvres in the south

"They'd sell off bits of the White House lown for a vote if they could"
- Jun Joniz, head of the Fair Trade Campaign against Nafta
"It's one president, all the living former presidents, 41 governors, 14 Nobel Laureates and 284 economists

versus Perot, Bucheman and Brown;

Mickey Kantor, US trade

arring the unforeseen, the latest addition to the matriarchy of all political battles will be finally decided on November 17 when 258 Democrats, 175 Republicans, and one independent in the 435-member House of Representatives (there is one vacant seat) vote on whether to approve the North American Free Trade Agreement linking the US, Mexico and Canada on January 1. A simple majority of 218 is all that is needed. If it passes, the Senate will almost certainly follow suit; if it fails, the upper chamber does not have to act.

The stakes are enormous - for the political credibility of President Bill Clinton early in his term and for the legacy of President Carlos Salinas as he nears the end of his, for the evolution of the Mexican and US economies, and for a global trading structure in which a Uniguzy Round agreement scheduled to be reached by December 15 may be unattainable if Nafta goes down.

Conventional party lines are irrelevant in the intense retail political war now going on in pursuit of the 218-vote nirvana. More Republicans, perhaps as many as 120 according to congressman Jim Kolbe of Arizona, far fewer according to Mr Jim Jonts, a former congressman from Oklahoma, will vote for than against, not least because the original Nafta was negotiated by the Bush administration. This leaves Mr Clinton needing at most 40 per cent of his own party to triumph and therein lies the problem.

For the Democratic coalition that just - by one vote - sustained the president in the great budget battle against unanimous Republican opposition, is in tatters. In July it was the "new" Democrats, especially moderates from the south, who deserted Mr Clinton while the old liners - labour, liberals, blacks held their noses and held fast. On Nafta, the positions are in good measure reversed.

According to Ms Lori Wallach, a leading co-ordinator of the "anti-" campaign, the "no" camp already numbers 208-210 "including some leaners". Bill Daley, drafted from his Chicago domain to direct the "yes" campaign, disputes this estimate, counts about 195 in favour are still undecided. Mr Jontz disagrees, reckoning there are now more Republicans than Democrats Jurek Martin and Nancy Dunne say the stakes are high in the battle to guide Nafta through the US Congress

Party loyalties do not apply





If Nafta is defeated it may impede a Gait deal: clockwise, Canada's Jean Chrécien, Carlos Salinas and Bill Clinton

Republicans - is particularly resistant to Nafta

Both sides hail and blast each new convert. Democrat John Dingell of Michigan came out for the "noes" this week, but Mr Daley counters that he could never under stand why anybody thought he would do anything different. Ms Wallach is equally dismissive of the impact of the "yes" declarations of Democrats Joe Kennedy from Massachusetts and Esteban Torres from California. The latter, she insists probably could not carry the 18-

The politics of Nafta have produced uneasy dalliances among political heavyweights. In one bed lie the president, the Republican leadership, including Newt Gingrich, a fervent conservative, the Senate majority leader, the Speaker of the House, most leaders of big business, and some prominent environmental groups: in the other can

(Richard Gephardt) and most of the Democratic House whips, including David Bonior of Michigan, the chief anti-Nafta strategist, plus Ralph Nader, the consumer advocate, most of the labour unions, Pat Buchanan, the right-wing ideologue, and Ross Perot, last year's independent presidential candidate.

Ms Wallach, who portrays the Nafta divide as one between "populists and the elites", says there is little top-level contact with Mr Perot, who first spoke of the "giant speking sound" of US jobs going south to Mexico, but that his troops offer access to conservatives and small businesses. Mr Daley says that "Perot's credibility is diminishing because he has become a politician", an assessment borne out by

several recent opinion polls. Both sides agree that the role played by President Clinton himself is crucial. "He is my number one worry - never underestimate the power of the presidency," says Ms In the summer he was consumed by the budget, and more recently distracted by healthcare, Haiti and Somalia. Meanwhile the opposition was off and running early.
The administration pinned a lot

of its midsummer hopes on Nafta's "side agreements", covering Mexican environmental and labour laws and guarding against import "surges", meeting most objections. But these were only completed in mid-August, later than planned, and were only partly successful. Six prominent US environmental groups came out in favour, but union opposition became entrenched. Most important, Congressman Gephardt, whose backing could probably have ensured passage, declared he was not satisfied.

Mr Daley insists it does not matter that the president started late because "in politics, decisions are only taken in the last few days". Whatever the merits of this argument, there is no questioning that full swing, with plans that Mr Clinton himself do little other than argue for the agreement in the next two weeks.

Every day brings a new media show. Last week saw Products Day on the White House lawn, a display of 175 goods that would benefit from Nafta. Last weekend the president went to Boston to maintain that JFK would have been pro-Nafta. On Monday he appeared at an electronic "town meeting" with members of the American Chamber of Commerce. Later this week he is in Louisville, Kentucky. On Sunday an hour-long TV interview is sched-

About twice a week he has 15-20 congressmen in his office for a Nafta exhortation. He works the phones constantly, and all members of his cabinet are fully engaged sometimes inventively. Mr Kantor's latest pitch is that Japan is against Nafta and would, along with Europe, seek to profit from its defeat. The Nafta "war room", operating out of the Old Executive Office building next to the White House, co-ordinates it all and makes sure that businessmen keep up the

ertain actions, both substantive and personal, get taken with Nafta in view. Last week's creation of the North American Development Bank, with its funds available for border clean-up, obviously helped Congressman Torres come off the fence. At the other extreme, Congressman E Clay Shaw, a Florida Republican, is demanding that the administration put pressure on Mexico for the extradition of an accused rapist. Mr Daley savs: "We have made our views known to the though they knew about it already. All this activity is matched with

fervour and skill by the other side. Ms Wallach claims to have kept a lid on vote switching. She points out that Congressman Kweisi Mfume from Maryland, leader of the 38-strong black Democratic caucus previously so loyal to Mr Clinton, is helping Mr Bonior garner votes against Nafta, and that only one black congressman has come out in favour. On broader policy issues, both camps were bombarding the media with their respective spins after last week's Canadian election result. "They've thrown everything at us, but it hasn't made a difference so far," she insists. With two weeks to go, neither

side will publicly admit the possibility of defeat. Mr Daley says he will not sell the White House lawn, but seen crossing it yesterday was a gaggle of living Nobel Laurentes. including Henry Kissinger, last seen being nice to Mr Clinton on Martha's Vineyard in August. The grass

On opposite sides of the great divide



Dave McCurdy: past versus future

arcy Kaptur from Ohio and Dave McCurdy of Oklahoma might seem prototypical Clinton new Democrats, write Nancy Dunne and Jurek Martin.

She is 47, the same age as the president, a House member since 1982, while he is 43, and from the class of 1980; like the president both studied at British universities, she doing town planning at Man-chester, he economics at Edinburgh; she is from a union district, he from a union family; and both are ambitious: she has her eye on the Senate next year, while he has already considered running for the presidency and last year promoted himself for a post in the Clinton cabinet. Yet Nafta divides them

Ms Kaptur, a leader of the opposition, regrets having to fight Mr Clinton. "It would have been nice after 10 years here to have had Democratic president who agreed with me on the most important issue in my district. Nafta, though, is a life and death issue to us," she says, citing the job losses in her Toledo constituency. She is proud of being a liberal and resents being called a protec-tionist. "Trade can bring freedom," she argues, "but it can also bring exploitation. If people do not bave fair wages, free elections, rights of assembly, a judicial system with fair trials, you have exploitation – and we will be a party to it." She sees nothing wrong with hemi-spheric free trade, so long as it is

linked to democratic reforms. Her criticism of Mexico goes far beyond its democratic shortcomings. On two recent visits she was shocked by what she saw. "They have no running water, no heat in winter, no electricity unless they have batteries." Once, she says, Mexican government agents trailed a delegation of congresswomen on

a tour south of the border and nearly ran one of them down. To Dave McCurdy, a border state moderate like Mr Clinton, the Nafia debate is all about the past (ageing. uncompetitive industries) versus the future (a high-skilled, highwage economy). "The problem is that the protectionists, isolationists and xenophobes who are building the case against it are really basing

unknown."

Combative by nature, he was sufficiently unafraid in September to raid the home turf of the Nafta opposition - a local General Motors plant - to hand out leaflets. "The management loved it. I'm not sure the workers did, but they'd been getting their information only from one side." Ross Perot ran strongly

in his district last year. He has travelled a lot to South taking roots, "though some of the aprouts are fragile". He is impressed by changes in Mexico. Ten years ago it was an anti-US command economy, socialist in nature." President Carlos Salinas "has taken on the old system with a great deal of courage. He deserved to be rewarded for that."

He understands why some fellow Democrats find it hard to support Nafta, especially after the great budget battle this summer. "Some caught a lot of grief back home and they're tired of explaining tough votes. But there are a few of us who are committed to these free trade principles."



Marcy Kaptur: life and death issue

to become the first country to pull out of the Non-Proliferation Treaty last March, alarm bells rang from Seoul to Washington at by the International Atomic

stockpile of plutonium. regional strategic halance.

On the other hand, it is hard to

Resolving the issue is compli-

If that is the real aim, it suggests that the US, Japan and other interested parties would be right to continue with their strategy of attempting to negotiate with Pyongyang, rather than piling on more direct forms of pressure.

The foaming Tiber

■ It was a visibly shaken Carlo de Benedetti who made his way yesterday to a grilling in Rome's Regina Coeli prison on the shores of the Tiber.

The Olivetti chalrman, fighting a separate legal battle over a six-year sentence over his role in the collapse of Banco Ambrosiano in the 1980s, faced questions about kick-backs to win public sector contracts, for which the group allegedly paid about L10bn.

De Benedetti suffered the first embarrassment earlier this year after being forced to backtrack on previous denials that payments had been made; now, after the transfer of inquiries from magistrates in Milan to those in Rome, comes the stigma of an interrogation in eacl. But at least the venue is

appropriate. De Benedetti's inquisitors are holding him in a prison that was once a convent - and both the investigating magistrate and the public attorney who want to lead him to the confessional for his putative sins are women.

Phone home

■ Hotels all over the world

routinely over-charge guests for the cost of telephone calls. But it

seems that the Moutreux Palace Hotel in Switzerland has gone one better, it recently had the nerve to charge SFr10 for placing an international collect call

Then again, perhaps that is not too surprising. Was the Montreux Palace not the venue almost half a century ago of the inaugural meeting of CEPT, the club of nonopolies, which have been ripping off telephone users for

Horse-trading

■ Why should an Irish horse-trainer he standing in a bar in Melbourne reciting verses from A Bush Christening? Answer, It was Dermot Weld's damagelimitation exercise in the wake of Vintage Crop winning the Melbourne Cup, an Irish victory for the first time in the cup's

Vintage Crop, a 14-1 outsider, trained by Weld at The Curragh and owned by Michael Smurfit. the Irish paper and packaging impresario, won by three lengths. To add insult to Australia's injury, Smurfit, who now lives in Monie Carlo, was not even in Melbourne to collect the A\$2m winnings, though his son and other members of the family were present. Still, trainer Weld, who had

iasm for Australia - begun

obviously kissed the Blarney stone. impressed his audience with his

OBSERVER



You should have seen him before he became European

as a child when he was given a book of Banjo Paterson's verses, including The Man From Snowy River. Meanwhile, in time-honoured tradition, business life ground to a halt as all eyes turned to the finishing line. Who knows if it was the Irish victory, but the stock market closed lower for the first time in a week.

Just the ticket

■ The city of Washington DC, whose depleted coffers are just a little fuller today after the israeli embassy forked out \$63 000 in parking fines, has Senator Jesse

Helms to thank. For it was the ultra right-winger from North Carolina who attached a rider to this year's US foreign aid bill docking the amount of unpaid fines, plus a 10 per cent penalty, from the

assistance given to all recipients Presumably the fact that Israel. the largest beneficiary of US aid, was the first to pay up, was no mere coincidence. But, unfortunately for the impoverished city, it is not the worst parking fine offender by a long chalk. That accolade is reserved for the Russian embassy even if much of its \$3.3m bill was clocked up by Soviet diplomats in the old days. The Russians' excuse is that they are awaiting a new DC parking lot, given Moscow did the banours for the

US embassy last year. Next in line comes the Nigerian embassy, which is incensed at its \$77,830 bill. "We do not park on

fire hydrants," Nigeria's press attaché Mohammed Sani complains "The bulk of the tickets are for expired meters. We are not parked at places wrongly. There is just nowhere to park." Obviously the same problem applies in London. In 1992 Nigerian diplomats boasted 167 unpaid parking tickets, making them the fourth worst offenders, after Turkey, Russia and France.

Shopaholics?

 Japanese salarymen, believed to beat world records for workaholicism, may soon be

legislated into relaxing more often. Some members of the new Japanese government think that too much work could be a source of economic as well as personal exhaustion. So ministers agreed yesterday to study proposals by Koshiro Ishida, a cabinet member heading the management and coordination agency, to change the dates of national holidays to Mondays or Fridays.

The aim is to encourage people to take long weekends more often, so that they spend more money - badly needed in this recession and "enrich their lifestyles" Ishida says. Japanese staff would never dream of of using even a mid-week public holiday as an excuse for an extra long weekend. Hence the need for government

However do not expect any progress today. For this is culture day, when people are encouraged to refresh their spirits with a good dose of art. But be sure all will be back to work on Thursday.

Illuminating

■ The director of group public affairs at a UK multinational acknowledges that a PR man may not be needed to change a light bulb (vide Observer yesterday), but seeks to justify his existence by highlighting the need for such expert services when pointing the journalist in the direction of the

1B1

Finance ministers get together to promote 'crucial' economic convergence

France, Germany plan for Emu

By Judy Dempsey in Berlin and David Buchan in Paris

GERMANY and France vesterday jointly presented the broad outlines of plans to bring their economies together in the planned European monetary union by the

end of this decade. The joint presentation of the plans was designed to give some public impetus to economic convergence, prescribed by the Maastricht treaty which came

into force on Monday. The plan was released after a meeting of the Franco-German Economic and Financial Council in Berlin, comprising finance and economics ministers and central bank presidents from both coun-

Mr Theo Waigel, German finance minister, said plans to converge the two economies by 1996 "was crucial for the success of economic and monetary mion" among the European Community member states. French and German finance

ministers plan to give more details of the plans to their EC colleagues at a general discussion of European economic convergence on November 22. Germany has made little

change to its earlier plan to bring its budget deficit, currently the equivalent of 4 per cent of gross domestic product, to within the 3 per cent guideline laid down in the Maastricht treaty by 1995. By contrast. Mr Edmond Alphandéry, the French economy minister, and Mr Nicolas Sarkozy, the French budget minister, set out for the first time yesterday their country's medium-term goals. Mr Sarkozy said France intended to reduce its budget deficit, around 4.5 per cent of GDP, to about 2 per cent by 1997. The only previous indication which prime minister Edouard Balladur had given of his government's medium-term planning was a promise to reduce public borrow-

ng to 25 per cent by 1997. French and German ministers agreed that their economies should aim for 3 per cent growth from 1995 onwards. French ministers said they were assuming that French growth would be somewhere between 28 and 3.5 per cent from 1995 on. They have predicted that the French economy will contract by 0.8 per cent this year, but expand by 1.4 per cent next year.

German growth is forecast at minus I per cent this year and plus 1.5 per cent in 1994. Mr Alphandery said France

to reduce inflation, and particu-larly curb the budget deficits in order to meet the criteria for convergence. He reiterated the French government's intention to cut the deficit to FFr300bn in 1994 from the current PFr317bn.

Mr Sarkozy said France, which had recorded an annual inflation rate of 2.3 per cent in September, was already showing signs of sta-

However, he and Mr Waigel agreed that closer co-operation was needed on the definition of statistics, and the way they are vergence. Both ministers said their countries should meet the

According to Maastricht EC governments would make their first assessment of whether their economies are ready for moneand Germany would together aim . tary union in late 1996.

Initial government estimates of

GDP showed growth in the third

quarter at an annual rate of 28

per cent, and some economists

now foresee the economy expand-

ing at a rate above 4 per cent in

the fourth quarter, before subsid-

Our current fourth-quarter

estimate is 4.2 per cent, and the

risk to that number is probably

on the upside," said brokers Mer-

rill Lynch. Mr Allen Sinal, chief economist

with Economic Advisors, a Bos-

ing in the new year

THE LEX COLUMN

Daimler's blood and iron

There is clearly plenty of pain to go round at Daimier-Benz. Mr Edzard Renter, the company's chief executive, admitted as much when he said that shareholders as well as staff would have to suffer the pange of restructuring. At one level that hint of a dividend cut might be viewed as a realisation of the denth of Daimier's tion of the depth of Daimler's difficulties. Yet the reasons for Mr Reuter's statement are perhaps themselves a concern. If his purpose was to soothe opposition from the workforce, then he may not have yet persuaded the staff that radical surgery is needed. Having allowed costs to drift for too long, Daimler can hardly afford protracted internal debate or lengthy

Most of Daimler's markets remain depressed. Airline losses may be slow-ing, but new aircraft production is still. being cut - particularly at Airbus and defence spending continues to fall. AEG consumer goods business is wilting and its ICE train is losing out to the French TGV in export markets. Daimler-Benz cars are too expensive to produce compared to the competition. All of Dalmier's operations suffer from the strength of the D-mark

Besides, the company is hardly alone in its effort to cut costs its Japanese competitors face equally hard markets and are busy retrench ing too. The risk is that most of the efficiency gains will be ceded to cus-tomers in lower prices. Even if the plan works and the company can get back to peak earnings of around DM 70 a share by 1996-97, the shares hardly look cheap. That, and a lower payout, should give investors pause for thought if the rights issue hat is passed round next year.

Muramoto

The Tokyo stock market barely flinched in its first trading session after the failure of Muramoto Construction, an unlisted company but one with bank debts of an estimated Y590bn. Its insouciance may be partly explained by the fact that Muramoto's debts have been parcelled out evenly among its 50 or so lenders, so that none of them is in serious danger despite the write-offs.

Yet it is worrying that such a small company, only Japan's 24th construction group, can produce a collapse nearly half the size of Olympia & York and with so little warning. One can only guess at the liabilities hidden in contractors many times Muramoto's size. Clearly, Japan's banks need to

FT-SE Index: 3164.1 (-0.3) Share price relative to the DAX index 200 150 125 -

root out problem loans and write them off fast, instead of seeking to disguise them in their accounts as they have

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1980 82 84 86 88 90 92

done so often in the past. Present incentives are inadequate. The Co-operative Credit Purchasing Company, which enables banks to speed up tax write-offs by selling bad oans and buying them back at a loss, is only attractive to larger banks with cash to spare. Financial market confidence also depends on support for smaller try, like Nanto Bank, the regional lender which is among the most exposed to Muramoto. Perhaps the Bank of Japan should extend additional support in the form of cheap loans, or Japan's notoriously tightfisted tax office could offer more generous tax treatment on write-offs

MEPC's shareholders may think it odd that just as the UK property market starts racing away with itself their company decides to buy two shoppin centres across the Atlantic. Yet, MEPC is chiefly funding the deal with paper. Thankfully, it is retaining most of the proceeds from its recent £222m rights issue to refurbish its UK portfolio and make selective acquisitions.

Moreover, MEPC sees scope to lift the shopping centres' yield to more than 9 per cent, increasing their capital value. It suggests this can be achieved by raising leasing levels above 95 per cent and marketing the centres more effectively. Any pick up in California's dull economy would also help, given that rental payments are related to turnover. Yet many will doubt the ability of an overseas investor to make capital gains in the feroket. The US has certainly proved graveyard for many UK investors.

But if MEPC's shopping centres do disappoint they are unlikely to inflict much harm. The share issue will represent less than 6 per cent of its enlarged equity base. Besides, MEPC's shares - like those of most other prop erty companies - are currently so highly rated that it would be a challenge to buy anything that did not enhance earnings and assets per share. That raises the suspicion that similar deals may follow. But it will be difficult to find many pension funds willing to sell properties at a discount to net asset value in exchange for paper which trades at a premium.

UK economy.

The Bank of England has a delicate task in presenting its latest views on inflation. It would not presumably wish to risk a row with the chancellor if he asks for interest rates to be cut in connection with the budget. But the underlying rate of price rises has accelerated over the past three months and the bank has to admit to the chance of the government's inflation target being breached as a result of tax changes due to come into effect next April. So it must also be con-cerned about its credibility in the fight eainst inflation.

The report gets round this diler by forecasting that inflation will start to fall again in the middle of next year and that any rise meanwhile should a regarded as just a blip. That way the option is left open for a budget rais cut to offset any fiscal tightening even if this goes against basic instincts. The bank's longer term forecasts, which show inflation slap in the middle of its target range, lead to the claim that rates are about right where

Well, it would say that, wouldn't it? The main worry is that of preventing a higher headline rate translating into higher inflationary expectations with consequent pressure on wages. The bank admits that a higher resid exchange rate as a result of interest rate cuts abroad would help reduce inflationary pressures, it follows that it would be reluctant to do anything which might cause the exchange rab to wobble. Since Britain's manufacture ing base is so atrophied, it might an ily think any possible contribution to growth from exports boosted by a lower exchange rate is not worth the risk of higher import prices.

Mar 12 397

US data reinforce growth predictions

By George Graham

GOVERNMENT economic data released yesterday show the US economy to be gaining strength, lending weight to predictions of solid growth in the next two

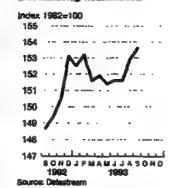
The Commerce Department's index of leading economic indicators showed a rise of 0.5 per cent in September after a 0.9 per cent eain in August

The leading index, designed to predict movements in economic activity, climbed to reflect an expanding money supply, buoyant orders for consumer goods, higher share prices and increased demands for building permits.

The index fell in the first half of this year, stabilised in June and July, and climbed in August and September.

The Commerce Department said sales of new homes rose by

US leading indicators



21 per cent in September to their highest level for seven years. New home sales jumped to an annual rate of 762,000, 13 per cent

higher than a year earlier. Home sales have benefited from mortgage interest rates at their lowest level for 25 years.

Rates averaged 6.91 per cent in September and have since slipped a little lower.

Most regions showed large rises, with sales rising 28 per cent in the south, 34 per cent in the mid-west and 15 per cent in the west. Only the north-east showed a drop in sales of 7 per cent, Last week, the National Association of Realtors said sales of existing

homes rose in September. Mr Ed Yardeni, economist with brokers C.J. Lawrence, said this pace of home sales was probably not sustainable, and the rate would be likely to decline in October. "Nevertheless, housing activity is clearly stronger, and will add to economic growth this quarter." he said.

Economists said both the index of leading economic indicators and the home sales statistics were consistent with forecasts for stronger growth in the second

ton consulting firm, is more cautious, predicting growth around 3.0 per cent in the fourth quarter and lower growth in the first half of next year. But Mr Sinai says the economy

is now showing a "functional" recovery, rather than the statistical recovery of the last two years, with growth exceeding the trend of 1.8 per cent that occurred between mid-1988 and mid-1983.

BCCI liquidators seek rise in compensation from Abu Dhabi

By Andrew Jack in London

LIQUIDATORS to the collapsed Bank of Credit and Commerce International are planning to move swiftly to negotiate a higher contribution for creditors from the government of Abu Dhabl, the majority shareholder

ments higher than the originally negotiated \$1.7bn to be agreed early next year in an effort to prevent complex litigation which could take many years and leave hundreds of thousands of creditors with little prospect of com-

It also emerged that the liqui-dators have negotiated a tax refund from the UK inland Revenue of about £20m overpaid by the bank. The claim relates to incorrectly stated figures and tax deducted at source over several

years as well as interest and was

paid out in the last few weeks. The liquidators' latest action follows the surprise decision by the Luxembourg courts last week to uphold an appeal by three creditors against the agreement between the liquidators and the government of Abu Dhabi.

in preliminary meetings this tively decided not to appeal against the ruling. Neither do they favour the prospect of suing Abu Dhabi in the search for funds for creditors to BCCI. which was closed in July 1991.

The strategy has been developed in advance of a full meeting today and Thursday of the liquidators to the bank's principal companies in England, the Cayman Islands and Luxembourg. Mr Brian Smouha, Mr Georges

Baden and Mr Julien Rodin, the three liquidators to the main

embourg, in any case face difficulties in making an appeal

because they are officials appointed by the courts. They are still awaiting written judgment from last week's appeal, but seem to have ruled out a possible option from Judge Raul Gretsch to re-submit their

The Abu Dhabi government said its position remained unal-tered and it had no plans to increase its offer agreed with liq-uidators in February last year.

This would have provided a contribution of at least \$1.7bn to creditors in exchange for them waiving rights to sue, and would have allowed a payout of 15p in the pound next year. Abu Dhabi has an estimated \$2.2bn in preferential claims deposited with BCCi and could counter-sue the bank to recover the money.

De Benedetti

It has even been suggested

lished politicians. How long Mr De Benedetti will stay in jail remains unclear. A number of senior busines investigated in Milan have

faces jail Continued from Page 1 BCCI holding company in Lux-

magistrates in handling the political corruption scandal. Some observers have suggested that the Rome magistrates, previously attacked for dragging their feet compared with their northern counterparts, are now trying to show their commitment to exposing corruption in high

trates in Rome have used a leading businessman such as Mr De Benedetti as a scapegoat to get back at Milanese colleagues who have tarnished the reputations of so many of the capital's estab-

evaded extended incarceration by striking informal deals with investigating magistrates and providing full confessions.

FT WORLD WEATHER

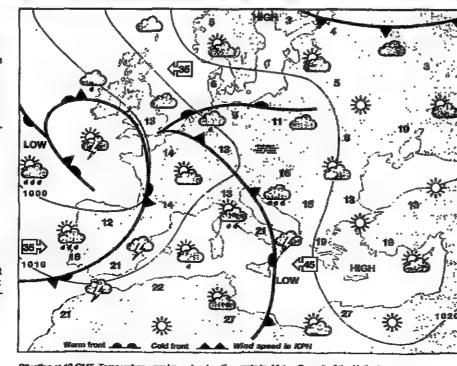
Europe today

A low pressure area will approach south-west Ireland causing cloud in western France and much of the British Isles, along with some rain in the western regions. A cold front will move over Portugal and will trigger showers during the morning. The frontal zone will continue its way over Spain bringing showers in its wake. Another front will move into Italy, with heavy downpours and thunder showers in the southeastern regions. High pressure over

Scandinavia will bring settled but cloudy conditions. Eastern Europe will be dominated by high pressure areas which will bring sunshine in most parts. Northern Russia will have more snowfall as readings stay below OC. Central Europe will continue cloudy and mainly dry.

Five-day forecast

A frontal zone will stay near the British Isles causing cloud and patchy rain. Low pressure will move from eastern Spain towards the east bringing heavy rainfall and thunder showers at first. Before long the showers will reach southeast Europe. New depressions will move from the Atlantic towards south-west Europe encouraging unsettled conditions. High pressure will build over Scandinavia resulting in more sunny intervals.





Lufthansa

German Airlines

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Sheltered Housing Estate Management

£30.7 million Management Buy-Out from McCarthy & Stone plc

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INSIDE

Swedish bank returns to profit

Svenska Handelsbanken has weathered the Swedish banking crisis by moving into an operating profit of SKr1.39bn (\$170m) for the first nine months, mainly because of higher revenues, cost-cutting and lower credit losses. Page 18

Kmart sells stores to rival Kmart, the second-biggest US retailer, is selling most of its loss-making Pace Membership Ware-house clubs to rival retailer Wal-Mart. Page 20

A yen for good days of property



When sepanese banks established the Co-opera-tive Credit Purchasing Company to clear away the the Creat Purchasing Company to clear away the industry's problem loans, they housed the new company in a half-empty Tokyo office building, reinsigning staff of the property market collapse biaged for the banks' woes. Almost a yeer later, the CCPC is still occupying one floor in a half-empty-building, Page 21

Overflow of futures

3349333

European futures trading continues to break records. Effe in London and the Matif in Parls, Europe's two largest futures exchanges, have already traded more contracts than for the whole of last year. Page 22

Powerscreen boosted by sales

Powerscreen International, the Northern Irelandbased manufacturer of screening and stone crushing equipment, has raised interim pre-tax profits 12,5 per cent to £12.4m (\$18.4m) helped by strong sales growth, perticularly in Asia and North America: Page 23

Ashtead seeks £20m from rights Ashtead, the plant and machinery hire group, has

announced a rights issue to raise some 220.4m (\$30m) to fund separation. Mr Peter Lewis, chairman, said: "There is no shortage of businesses to buy," Meanwhile, Abeous, a franchised distributor of electronics components, is coming to the market via a placing of shares valuing the company at ... £40.5m. Page 23

Discount retailer outs loss

Mr Pater Carr, chairman of Anther Day Moldings, the discount retailer, said the bealness plan that he and his finance director had drawn up showed that discount stores were the fastest growing stalling sector – at about 10 per cent a year. The company cut its pre-tax losses in the year to July 31 from 27.75m to 22.09m (\$5m). Page 24.

Drugs do well in Schooly

India is in the durage. Bombay's boarse, inclin's largest, has been haunted for some time by politi-cal fears but there have been bright spots. Phar-maceutical companies, especially transnationals, have stood their ground after impressive gains over the past three months. Back Page

lariet Statistics

Bellowan FT-A Indices FT-A world Indices Back Page FT fund inferent indices FT fund inferent indices FTASMA, int bond sec 22 34

London stars service Little equity options London tracit, options Nameged fund service Money markets New int. book iss World commodity prices World stock raid indices UK dividents announced

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Companies in this issue

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for share deals sans frontières

By Catherine Milton in London

CITY of London commuters were yesterday treated to the dubious honour of a woman dressed as a French onion seller handing out leaflets offering advice on how to profit as France privatises up to FFr360bn (\$63.6bn) worth of state-owned companies.

The stunt was to encourage retail investors to exploit the Buropean Community's regulations which outlaw discriminstions which outlies unserming tion of any kind against the nationals of one member state who apply for shares in the privatisations of other member

This makes UK retail investors eligible to apply for shares in an estimated \$26bn of companies



Know your onlone: the British stereotype of French dress

due to be privatised in EC coun-

tries this year.
Of this total the French programme is one of the biggest and most attractive. The leaflets were offering "free advice" to UK nationals interested in buying shares in Rhône-Poulenc, the chemicals company, due to be

Retall applicants must have ats in France. Under UK law the Rhone-Poulme securities may only be offered for sale to profes investors, although private investors are not prevented from taking the initiative to apply through a bank or broker in

The stunt may rebound on its instigator, Mr Roger Trotman, a sole trader behind Sutton-based Gloucester Troiman.

Last night the Institute of Chartered Accountants was studying his "investment advert": "We are looking at it from a regulatory point of view," a spokesman said.

Sales stunt | Carmakers seek to defuse shareholder opposition to merger

Renault and Volvo act to quell dissent

by John Ridding in Paris and Hugh Carnegy in Stockholm

RENAULT and Volvo are to laumch a concerted campaign to defuse mounting shareholder opposition to their proposed merger after the Swedish group was forced to postpone a vote to approve the deal

Renault was confident that the merger would go ahead on sched-ule and said that Volvo's decision to postpone the vote from next week to December 7 would allow it to calm what it described as exaggerated concerns about the deal, "Volvo has given itself time to show investors that the agreement is indispensable for both companies," said Renault.

Swedish investors continued to press for a clearer timetable for privatisation and more information on the golden share which the French government plans to hold after the sale. The strength of opposition could increase pressure on the French government to make concessions to Volvo shareholders to win approval for Mr Gérard Longuet, the French

industry minister, telephoned Mr Per Wersterberg, his Swedish counterpart, to emphasise the French government's commitment to privatising the merged group as quickly as possible. He also said that the golden share would be used to protect the combined group from predators and not to ensure French control. Mr Pehr Gylienhammar, Vol-

was fully committed to the plan to merge the two groups' car and truck operations and would examine all criticisms. "We take the criticism seriously and will try to deal with it in the best

Volvo said it would discuss further with its main institutional shareholders their objections to the merger before deciding what demands to make on Renault and the French government to help win shareholder support.

Volvo said it was not demand-ing renegotiation of the merger agreement but would keep open the possibility of making some changes. French industry minis-try officials said there was no need to change the terms. They blamed the opposition from Swedish shareholders on a lack of information and said that clarification of the disputed points should ease their concerns. The merger, regarded by the

French government as a necessary precursor to privatisation, is one of the most important projects in the government's industrial policy.

The stakes are also high for Mr Gyllenhammar. He came under increased personal criticism yes-terday for having mishandled the Renault deal, a charge he denied. Critics said that if the merger fell through it would be the latest in a line of failed strategic initiatives in his two decades in charge Paper over cracks, Page 18

Pehr Gyllenhammar: 'We take the criticism seriously and will try to deal with it in the best way'

MEPC doubles exposure to US

By Richard Gourley in London

MEPC, the UK's second largest property company, is to pay £115m (\$170m) for American Property Trust, a unit trust controlled by UK pension funds that owns two shopping mails in the US. The acquisition is the first significant move by a UK property group into an overseas market for some time, as the recession has put most companies in

the sector on the defensive. While analysts say the APT acquisition is unusual because MEPC is paying a discount to net assets, the deal shows that some property companies may be beginning to consider buying

assets once again having bol-stered their balance sheets.

It doubles MEPC's exposure to the US property market where it already has interests in shopping malls. By issuing paper to pay for the deal, MEPC does not expect to deplete greatly the £222m it raised in July though a rights

MEPC says the deal increases the proportion of assets in retail, rebalancing the portfolio in line

with a commitment made in July at the time of the rights issue. For APT's pension fund unit holders, the deal significantly increases the liquidity of their investment while leaving them an interest in US property.

MEPC will be issuing up to 22.65m new shares but APT unit holders will be able to take cash for up to 20 per cent of the consideration. The unit holders have agreed not to sell their shares for

at least 12 months. The company will also take on \$176m of borrowings and pre-ferred stock in UK-American Properties, American Property Trust's main investment vehicle in the US.

In the year to June 30, APT had pre-tax income of £4.4m and net assets of £145.6m. The pricing represents a discount of just under 10 per cent on the gross property value.

MEPC said the acquisition

would enhance earnings per share and net assets per share this financial year.

Mr James Tuckey, MEPC managing director, said the properties were expected to yield about 8 per cent in their first year and at least 9 per cent thereafter.

The two shopping centres that make up most of APT's assets have a combined leaseable area of more than 2.5m square feet. As a result of the deal the retail content of MEPC's portfolio rises to 31 per cent from 26 per cent.

MEPC said that gearing would not be materially affected by the deal and the group could make Lex. Page 16

Fifth US television network planned

By Martin Dickson in New York

MEDIA companies Time Warner and Tribune announced yesterday they were joining forces to launch a fifth US prime time television network - in direct competition with Paramount Communications and Chris-Craft Industries which also unveiled plans for a network last week.

There is room for one more broadcast network, but only one," said Mr Jamie Kellner, who will head the new organisa tion. "This is it." Mr Kellner played an important role in the launch of America's fourth network, Fox, which was set up in 1986 by Mr Rupert Murdoch's News Corporation.

Programming will be provided by Time Warner's Warner Brothers subsidiary, one of the top suppliers of prime time tele-vision in the US. Tribune, which publishes the Chicago Tribune newspaper, will contribute at least six of its seven television stations, covering 19 per cent of US households. Time Warner's cable interests would take the coverage to 29 per cent.

Paramount and Chris-Craft said stations which they owned would give their network access to 27 per cent of US households. Both sides will be battling to affiliate the 280 independent sta-tions in the US which are not tied into one of the three big longstanding television networks - CBS, ABC and NBC - or Fox.

\$ 5 \$ 2

Yesterday, Warner said it expected the network would initially cover 85 per cent of US households. It already had commitments from station groups representing 40 per cent coverage of the country.

Analysts reckon a network needs 70 per cent coverage to attract advertising necessary to oort a jarge amount nal programming.

They doubt there is room in the US for more than one more network, given the limited pool of unaffiliated stations and increased competition for adver-

tisers' dollars. Warner intends to start its network in the next autumn, while

Paramount is due to start in January 1995. Warner, like Paramount, plans to begin with just four hours of original prime time programming spread over two nights.In the second year Warner would add two nights of prime time viewing, with five hours of weekday and four hours on Saturday morning. A fifth prime time night would be added in year three.

Barry Riley

Pension fund as financier to public sector deficit



Europe's pension funds have neglected to cultivate a powerful democratic constituency which might offer protection against the whims of their political lords and masters. Will they now pay the price?

A month ago the trade association for Europe's occupational schemes, the European Federation for Retirement Provision, sent up distress signals from Brussels. The new directive on pension fund investment, prog-ressing slowly through the European Commission, had been hijacked. Instead of delivering the promised freedom of investment policy the directive might impose new restrictions on funds in states where no serious con-

straints at present exist. Now the British funds are getting into their own domestic panic ahead of the Budget on November 30. The UK's schemes in aggregate represent some 60 per cent of the European total (although the Dutch and Danish funds are bigger in relation to GDP). British funds were already hit for £600m last March in Norman Lamont's Budget, when he cut the tax they could reclaim on

UK company dividends. The initial lack of protest last March, when the pension funds at first dismissed the change as an unimportant technicality, has now made them into a soft target for a second raid. If tax relief on dividend income were totally withdrawn, possibly over two or three years, the eventual annual cost would be about £2.5bn.

Right across Europe, not only

are governments reluctant to extend tax reliefs but they see pension funds, where they exist, primarily as vehicles to finance public sector deficits. Hence the row over freedom of investment. Even the normally tolerant Dutch government, which allows private sector funds to invest more or less how they please, has cavilled at the prospective loss of the giant civil servants' fund ABP as a captive bond investor.

It is easy for governments to dress up self-interested restrictions on the basis, for instance, that they promote prudence, and

Members of schemes are kept ignorant and passive

therefore protect pensioners. Even Norman Lamont was cheeky enough last March to claim that his dividend tax measures were introduced to help corporate cash flow.

The underlying rationale for funded schemes (as opposed to pay-as-you-go alternatives) is, however, that they create an extra flow of capital for invest-ment. This will either raise the domestic economic growth rate or, if domestic opportunities are mattractive, will be channelled abroad and finance a pool of overseas assets. Either way, the burden of paying for future pen-sions will be reduced.

But only in the UK, where 57

per cent is invested in domestic

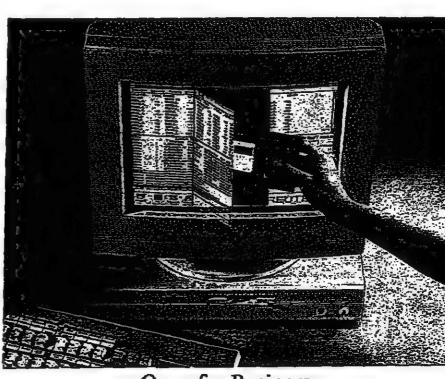
equities and 30 per cent in over-

seas assets, has this been taken to anything like its logical con-clusion. The Germans, true, plough large sums back into company balance sheets through the book reserve approach; but where separate funds exist in Germany they can invest no more than 30 per cent in equities and 5 per cent abroad. But if pension funds buy gov

ernment bonds there is little long-term justification unless the money is invested in physical infrastructure or, just arguably, human capital. The danger now is therefore that governments will view pension schemes as the convenient dumping grounds for otherwise unsaleable debt. Certainly the £50bn a year now being raised by the British government is almost entirely absorbed by current spending, with very little investment content. Already however, there is a larger tax break for UK pension tunds on government bonds than on equities, and the pensions directive as currently drafted, would allow the British government to set upper limits on exposures to

equities and overseas assets. Some 23m Europeans are bene ficiaries of funded pension schemes. Yet few make any connection between size of their pensions and the regime of regulation and taxation that governs the investment of the assets. It has suited the sponsors to design their schemes so that the members are kept ignorant and passive rather than knowledgeable

and potentially troublesome. But will half-hearted lobbying through official channels really will respond only to the sight of thousands of scheme members augrily on the march?



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recovery at Svenska bank

By Christopher Brown-Humes in Stockholm

HIGHER revenues, cost-cutting and lower credit losses combined to help Svenska Handelsbanken swing to an operating profit of SKrl.39bn (\$170m) in the first nine months of 1993, from a SKr883m loss in the same 1992 period,

The bank's result has improved in every quarter this year, culminating in a SKr552m profit in the July-to-September period. This recovery and the SKr2.65hn proceeds of its October rights issue have left it in a strong competitive position based on a 12.4 per cent capital adequacy ratio.

Total operating income in the first nine months was up 17 per cent at SKr10.7bm. This

followed a 10 per cent rise in net interest income, to SKr7.54hn, and higher commission and property rental income The bank also realised SKr400m in capital gains on bond sales, compared with SKr80m last time.

Expenses were virtually unchanged at SKr3.98bn, with higher system development costs and the weaker Swedish krona offsetting a 2 per cent fall in personnel costs.

Another encouraging feature was the 12 per cent fall in loan losses, to SKr5.28bn, equal to 2.6 per cent of total lending. Problem loans fell to SKr12.4bm. or 4.5 per cent of lending volume, compared with SKr13.2bn at the end of

Svenska Handelsbanken has

weathered the Swedish bank ing crisis better than its rivals. was the only large Nordic porary hitch

demand for loans. The hank plans to use the rights issue proceeds to meet increased loan demand as the Nordic economies recover, and to expand its office network. It is already Norway's fifthlargest commercial bank, and has plans to build up its operations in Denmark and Finland

It is one of four hanks in the final round of bidding for Gota Bank, one of two commercial banks taken over by the Swedish government last year.

Gildemeister to raise DM40m

GILDEMEISTER, one of Germany's leading machinetool manufacturers, is to donble its capital base and cut its 1991. workforce. The move is almed at staving off the impact of deep recession in what used to be one of Germany's most prosperous industrial sectors. The Bielefeld-based group said it planned to hold a near

one-for-one rights issue to raise DM40m (\$23.6m) in new equity. The issue is to be underwritten by Westdeutsche Landesbank. the house bank to the state of North-Rhine Westphalia in which Gildemeister is based. In addition, banks will be forgoing debts totalling DM32m.

its workforce by 380, in the latest of a series of job-cutting measures which have taken the group total to just over 2,000 from 3,200 at the end of

The group, which specialises in turning machines, said it had devised a new strategy to adapt further to market conditions. It is planning to reduce the number of products which it makes, and to contract out. lavers of manufacturing to third-party suppliers.

It gave no details of its operational situation, but the measures imply a further deterioration in business conditions in the second half of the year. At the end of June, the order book was 45 per cent of last year's level. Last year, the group

made losses of DM77m on turnover of DM470m; the group has already warned that losses for the current year will be sub-Gildemeister's problems

highlight the difficulties of the German machine-tool sector, where production fell 13 per cent in 1991 and a further 17 per cent last year. It is set to fall again in 1993, taking output to half the level in 1989, the peak year for the industry in Germany.

The sector is blighted by domestic recession, the impact of the strong D-Mark on export orders, the collapse of tradi tional export markets in the former eastern bloc, and intensliving competition from Jane

Bank of Finland sells Tampella stake

By Christopher Brown-Ikumes In Stockholm

THE IMPROVING fortunes of Tampella, the Finnish engineering group, have prompted the Bank of Finland to sell more than half its remaining stake in the company to domestic and international

The disposal of 18m shares Tampells was acquired by reduces the bank's stake in the Bank of Finland, the Finn-

Tampella to 23.6 per cent from 50.6 per cent, and raises FM443m (376m).

It represents a further diverstrication of the company's ownership base after the bank sold 25m shares to investors in New York, London and Stockholm for FM600m in August. Prior to that it held 85 per cent of the company.

ish central bank, as part of a broader rescue of Skopbank in 1991. The group has shown a strong recovery since then, fol-lowing extensive restructuring and cost-cutting which has left

> ling operations.
>
> In the first eight months losses after financial items were cut to FM65m from FM317m in the same 1992

> > For the six months ended 30th June

it focused on power and drif-

Revenue lift consolidates | Time-out called as strains start to show

IKE embarrassed mechanics rushing to fix a new model that stalls in the showmon, exerntives from Volvo and Renault were quick to insist yesterday that their ambitious plan to form a Franco-Swedish nois-

hank which neither received motive powerhouse was suffernor sought government assistance. Its position has helped it ing from no more than a temto lift market share at a time when recession has curtailed Both groups explained in soothing tones that Volvo's decision on Monday to post-

pone a shareholder vote on the proposed merger of its car and truck operations with statemove to allow them more time to enswer the concerns voiced by Volvo's highly sceptical

But despite the attempt at reassurance, there was little disguising that the postpone-ment had revealed the strains involved in converting their three-year old alliance into a full-blown merger and carried no gustantee that Volvo will win a Yes vote from its owners at the re-scheduled meeting on December 7.

A difference in emphasis was discernable between the French and Swedish sides yesterday, Renault and the French government stressed that clariication of the existing agreement not renegotiation, was

the order of the day. Volvo, however, did not rule out seeking at least some changes in the merger deal

clearly what its shareholders mostly institutional investors

objected to... Working out what the Swed-ish shareholders are demanding is a more difficult task

company. It also amounted to a than it might at first sight This shareholder would

"polson pill" which would entail a discount in the share price of the merged company industry minister, promises and thus also had an impact on that the merged group will be the worth of the deal to Volvo.

sentation rather than the terms of the agreement. Mr Gerard Longuet, the industry minister, promises

privatised as quickly as possi-ble after the merger and that

Delay to Renault-Volvo merger reveals differences in emphasis, say Hugh Carnegy and John Ridding

- set to take place after the merger takes effect at the beginning of next year - and the French government's intentions concerning the use of a golden share which it will retain after privatisation.

A director of one leading shareholder fund seld yesterday that these questions had a vital impact on any analysis of the worth of the merger deal for Volvo, which is set to have a 35 per cent share in the new Renault-Volvo company. Renault is basically making

a bid for Volvo's cars and trucks and paying with its shares," he said. "As Volvo shareholders, we cannot assess what those Renault shares are worth until Renault has a morket value." He said the French govern-

ment's plan to retain a golden share not only contained a

announced a 144 per cent fall

in interim net profits, to FFr404m (\$68.13m) for the first

half of 1999 from Fereram to

the same period last year. However, the group also con-

firmed its performance was

likely to improve in the second

half, thereby producing a more

favourable result for the full

The announcement of the

FFr1.5bn issue follows the

launch of similar capital-

raising exercises by other

French companies, including

the BSN food group, the Latarge-Coppée building mate-

rials concern and Schneider

the electrical engineers. They have timed their issues to take

advantage of buoyancy in the

Paris stock market.

financial year.

appear. The opposition to the kikely be satisfied by more this abould be achieved by the deal has focused on the timing information on the values and of next year.

of the privatisation of Renault imputed in the deal by Renault. The problem, however, is and Volvo and more details hitherto not circulated by Volvo - of a mostly favourable "fairness opinion" commisstoned from Credit Sulase First

> owever, some Swedish opposition goes well beyond this. It ranges from demands that the merger be postponed until after Renault's privatisation, to longstanding hostility to Mr Pehr Gyllenhammar, the Volvo chairman, and his perceived sell-out to foreigners of Sweden's industrial crown jewels. "Certainly there is a degree to which the privatisation and golden share issues are being

used as a mokescreen for more bank opposition, said a Stockholm investment broker. The French government and Renault believe that the failure to persuade Volvo's shareholdThe problem, however, is over. of demands from Swedish abareholders for a fixed time-

The French government says that because a successful pri-vatisation depends on the con-ditions in the financial and car markets it is unwise to set a nore precise date. "Do you think shareholders would appreciate it if we went through with a privatisation which flopped?" asked one eco-pumb official. One solution would be to-

move the marger up the list of 21 publicly owned groups ed for privatisation, or even to launch the privatisation at the time of the merger - schooluled for January 8 next year. The problem with this approach, say French officials, is that it is necessary to establish a value for the merged company before it can be sold.

difficult to bow to Swedish pressure on the timing of the - sale of one of France's flagship public sector industrial groups. As for the golden share in Renault, the French government will retain the right to limit any investor to 20 per cent of the merged company's capital in the event of a breakdown of the shareholders' agreement. The government says that the golden share would only be used to protect the group from a hostile take-

evertheless, it enables the French government to ensure French control of the group following privatisation - including, in theory, forcing Volvo's share down to 20 per cent. Hence

Swedish objections. Persuading Swedish shareholders over the next month to support the merger seems certain therefore to require more than a stronger sell of the existing deal. At some points. least some degree of renegotia-

tion, or new concessions. The importance of the deal for the French government and its privatisation plans may ensure the door is open. But yesterday was much too early to predict whether the new ault-Volvo model restarts and makes it out of the show-POCHI.

French bank gives terms of FFr1.5bn share issue of the recording it meviously

CREDIT Foncier de France, the French banking group, yesterday joined the queue of compa-nies tapping the Paris stock narket for capital by announce ing the terms of a FFr1.5bn

The group, which said it had decided to raise capital to "increase our financial capacity and to help us with our development", is issuing 1.48m new shares at FF71,000 each. Under the terms of the issue, Crédit Foncier's existing shareholders will be given preferen-tial rights to subscribe for one new share for every seven

aiready held. Crédit Foncier, like other French banks, has recently come under pressure because

Denmark to sell stake in

NEWS IN BRIEF

Girobank THE DANISH state will float

51 per cent of the share capital of state-owned Girobank, the post office's banking business. on the Copenhagen stock exchange, Renter reports.

The 51 per cent stake, amounting to 2.55m shares with a nominal value of DKr100 (\$14) each, will be offered at a price of DKr300 each between November 15 and 12. Girobunk will be listed from December 1. It is the first major flotation under a privatisation plan also including telecoms group Tele Danmark, in which the state wants to cut its 93.7 per cent stake to 51 per

Winterthur warning on life insurance

WINTERTHUR insurance said premiums growth in life insur-ance business in 1998 would be significantly below last year's 15 per cent, Reuter reports

Mr Peter Spaelti, chairman, said premium growth in domestic life insurance business would grow satisfactorily. He gave no details.

Domestic life insurance burtness represents some twothirds of the group's total.

Portoguese bank attracts bid

THE PORTUGUESE government has received a single bid for an 80 per cent stake of state bank Banco Pinto e Sotto Mayor, which is being priva-tised, a government official said, Reuter reports from Earlier, Banco Comercial Portugues said it was handing

Lloyd's capital plans still on course

in its bid for the bank.

THE SPONSORS of two of the biggest investment trusts at the Lloyd's of London insurance market will today press ahead with plans to raise some £400m in corporate capital despite setbacks to some smaller schemes in the last few days, writes Richard Lapper in

Backers of the larger schemes, sponsored by Samuel Montagu and Barclays de Zoete Wedd, will issue prospectuses today and are confident about raising capital from a range of institutions, including pension funds, life assurance companies and retail investors.

Shanghai Petrochemical Company Limited Interim Results 1993

• Turnover up by 90.8%

Profit after tax up by 168%

	Financial Highlights
n	штючег

1992 **RMB'000** RMB'000 HK\$'000 unaudited) 4,652,053 3,361,310 2,437,974 Profit before taxation 675,271 487.913 354,834 PRC taxation 101,378 73,250 141,140 Profit attributable to shareholders 573,893 414,663 213,694 Transfer to owner's equity 39,373 Profit appropriated to equity owner 174,321 Interim dividend paid 200,000 144,509 Retained profit for the period 373,893 270,154 Earnings per share RMB 0.143 HK\$ 0.104 RMB 0.053

"Following an encouraging first half to the year, the Board of Directors is determined to continue its efforts to expand the Company's operations. The supply of crude oil is expected to remain stable in the coming six months; and major maintenance programmes, launched in August and October, will assist the Company to achieve high utilisation rates in all of its production units for the remainder of this year and into 1994. Demand for its products continues to be strong and prices are expected to remain at least at the same level as during the first six months of the year. Barring unforeseen circumstances and subject to the assumptions made in the new issue prospectus in July, the Company expects to achieve its forecast profit

Wang Jiming Chairman of the Board and President 28 October 1993

(1) Farnings per share lation of earnings per share is based on the profit attributable to shareholders of RMBS73,893,000 (1992: RMB213,694,000) and 4.000,000,000 shares deemed to have been in issue during the entire period.

(2) Hong Kong dollar equivalents For the convenience of the reader, amounts in Renminbi (RMB) has been translated into Hong Kong dollars at the rate of HJC\$1.00 = RMB1.384, being the average of the buying and selling rates prevailing at the Shenzhen Swap Centre at the close of business on 30th June 1993. No representation is made that the Renminbi amounts could have been, or could be, converted into Hong Kong dollars at that rate. At the close of business on 30th June 1993, the average of the official buying and selling rates quoted by the State Administration for Exchange Control was HK\$1.00 = RMB0.7411. For reference only, the average of the buying and selling exchange rates prevailing at the Shenzhen Swap Centre at the close of business on 27th October 1993 was HK\$1.00 = RMB1.108.

If you wish to receive further information on Shanghai Petrochemical or supplementary information on the Company's interim results reconciled in US GAAP, please fax your request to The Rowland Company at (852)543-3030.

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The Guide to Registering Companies in Moscow is available exclusively from Financial Izvestia to order your copy, see below.

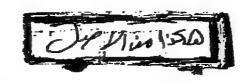
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Kmart sells Pace warehouse stores to Wal-Mart

By Karen Zagor in New York

KMART, the second-biggest US retailer, is selling most of its loss-making Pace Membership Warehouse clubs to rival retailer Wal-Mart Stores.

Although terms were not disclosed, Kmart said the deal would yield net proceeds of about \$300m in cash, equal to Pace's net tangible book value.

Kmart is taking a pre-tax charge of about \$450m against fourth-quarter earnings to cover costs of the sale, and the closure of 41 units not being sold to Wal-Mart.

Wal-Mart, which owns 326 Sam's Club warehouse stores, is buying 91 Pace

Wall Street had expected Kmart to shed its Pace stores. Kmart shares held steady at \$24% at mid-session, while Wal-Mart rose \$% to \$26%.

Kmart's foray into the deep discount market has been beset by problems. It first struggled with Makro, a lowcost, warehouse-style retailer operated in the US as a joint venture between a Michiganbased group and SHV Holdings of the Netherlands. The Makro outlets were merged into the Pace business after Kmart acquired Pace for \$322m in

The timing of Kmart's Pace acquisition was also unfortunate. Shortly after Kmart decided that clubs were more than a fad and expanded into the sector, the industry started to show its vulnerability to competition and the weak

Pace, which had operating losses of \$63m in the first half of this year, has been criticised for operating inefficiencies.

In contrast, Wal-Mart was quick to spot the potential in the sector, opening three Sam's Wholesale Clubs in 1983. By 1990, the company had more than 140 Sam's outlets

Although the rate of samestore sales growth at Sam's has declined this year, analysts have praised its sophisticated distribution system. They expect it to benefit from the Pace acquisition.

The Pace deal will also strengthen Sam's position against the consolidation of Price/Costco - the second- and third-biggest warehouse club chains which agreed to merge

Wal-Mart said the Pace clubs would continue to operate under the Pace name until the sale was finalised. Pace memberships will be honoured by Sam's after the

sale is completed.

The divestiture will help Kmart focus on its core discount-store operations. In October, the company said it might sell 25 per cent stakes in its Sports Authority, Borders, OfficeMax and Builders Square specialty chains through initial public offerings.

In August, Kmart confirmed it was seeking bidders for its PayLess drugstores chain. According to US press reports, Kmart has tentatively agreed to sell PayLess for \$1bn to a Los Angeles-based investment

Quebecor lifts sales, earnings in third term

QUEBECOR, the Montrealbesed publishing group which controls North America's second-biggest commercial printer, reported a gain in sales and earnings in the third quarter, writes Robert Gibbens

Net profit was C\$17.5m (US\$13.5m), or 27 cents a share, up from C316.1m. or 24 cents, a year earlier on revenues of C\$789m, against C\$823m.

Nine-month profit was C\$52.6m, or 77 cents, up from C\$36.8m, or 55 cents, excluding special items in both periods. Revenues for the period advanced to C\$3.2bn from CSI_Sbn_

Quebecor is controlled by the Peladeau family. It owns Canada's second-biggest daily newspaper, and weeklies and magazines. Much of its income

comes from the 55 per cent owned Quebecor Printing. ● Talisman, the former BF Canada, earned C\$4.3m, or 7 cents a share, in the third quarter, double the total of a year earlier. For the first nine nouths it earned C\$19.2m, or 38 cents, up from C\$7.5m, or 15 cents, a year earlier.

The company has doubled oil and gas production and reserves this year through a significant acquisition, and gas prices have risen steadily. A lower Canadian dollar has also

 Bow Valley Energy, 38 per cant held by British Gas and expanding internationally, sarned C\$10.4m or three cents a share in the first nine months, up from C87.9m or one cent a share, on revenues of C\$178m, little changed.

Cincinnati Milacron in German acquisition

By Frank McGurty in New York

CINCINNATI Milecrop, the US machine toolmaker, is to buy the Ferromatik plastics-moulding equipment business from Klöckner Werke of Germany for DM94m (\$56m).

The US company hopes the acquisition will bolster its moulding machinery business, while giving it immediate access to the European market, the world's largest for such equipment. The acquisition is expected to add \$100m to 1984 revenues.

The growing importance of the business to Milacron's bottom line was underscored yesterday by the announcer of third-quarter results. Stripping out extraordinary items, operating earnings were

up 58 per cent at \$8.4m, or 25 mis a share, on revenues of \$301m. a 33 per cent gain. The improvement reflected in part one of the best quarters ever for the plastics machinery group, which appeared to be on target for a

record-breaking year in new business and sales. The strong performance in plastics equipment offset weakness in the machine tools segment, which posted flat sales, lower earnings and a "precipitous fail-off" in orders.
"Our machine tools business continued to be hart by the deep recession in the aero-space industry," said Mr Danlel Meyer, chairman and chief

The results include an \$18.1m charge related to Sano, a supplier of plastic film systems acquired in 1986. The company wants to sell Sano because of problems of integration with core business With the one-time provision included, the company posted a net loss of \$7.9m, or 23 cents, against net earnings of \$7.3m.

ABB investment fund link-up

ASEA BROWN Boveri, the European manuiacturer of power plant and industrial systems, is setting up a fund with six US investment institutions to provide equity and subordinated debt to help finance industrial and power projects in the US, writes Mar-tin Dickson in New York.

GE Capital, the fluorical services arm of power equipment manufacturer General Electric, already provides equity capital for power projects. ABB believes, however, its move will give it a lead in other industrial areas served by the company, such as petrochemicals and paper and pulp.

Case gets in shape for a difficult harvest Laurie Morse examines restructuring at Tenneco's agricultural machinery subsidiary HE grain harvest is

about three weeks behind schedule in the American mid-west, and farmers are working overtime, pushing their tractors and combines to the limit.

The machines are invariably the trademark green of John Deere, or the distinctive red of the old International Harvester company, whose logo has been assumed by equipment manufacturer J. I Case, the Wisconsin-based unit of Tenneco. This year, with US farm

income projected at 10 per cent above 1992's \$62.5bn, Deere and Case are hoping farmers will end their self-imposed austerity and make long-deferred nurchases of tractors and other equipment. For Case, always a distant second to Deere, the battle for market share will be

more difficult than usual.

The company, the largest division of Houston-based Tenneco, is restructuring, with the aim of returning the unit to profitability. Case delivered \$4bn in revenues to Tenneco last year, and still logged a

huge \$1bn loss. Quality problems in manufacturing, a pricing policy aimed at maintaining market share at any cost, and out-ofcontrol inventories have plagued Case for years. When turnround expert Mr Michael Walsh took the helm at Tenneco in 1991, he hired an old friend, Mr Dana Mead, as president and asked him to revemp

Mr Mead tackled inventories that had jumped as high as \$2bn, ordering manufacturing cuthacks and reduced manufacturing time. He also cut the workforce to 17,000 from about 30,000 in 1990. Mr Mead also instituted

stringent quality controls, and reviewed Case's agricultural and construction equipment product lines model by model. Some products were scrapped and others were retooled so that Case retained

only assembly functions, buying parts from outside suppliers. Production was rationalised to meet customer demand, a new concept for Case.

This year 70 per cent of its output will be built to customer specifications, rather than being manufactured wholesale and then customised through costly rebuilding.

Mead also ended Case's customary sales discounts. This reform has reduced volume this year, but profits have grown.

"Case forgot it liked to make money and just liked to make tractors," Mr Mead jokes Inventories fell by \$719m in 1992, and are projected to be down another \$300m in 1993. Tightening quality controls at the factory and in the sales process has saved the company about \$200m this year, according to Mr Ted French, Case's chief financial officer.

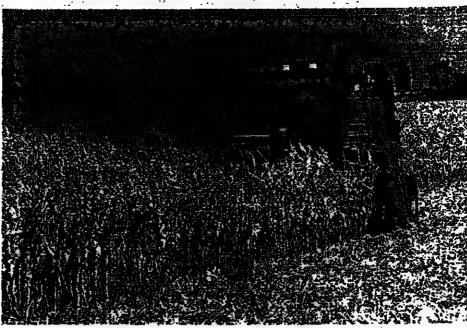
Mr Mead's policies are pay

ing off. Case posted a \$52m operating profit at the end of the third quarter, up from a loss of \$134m a year earlier. Contrary to Wall Street projections only a few months ago, Case is expected to show profit for the full year.

its production lines are gearing up for a 30 per cent surge this quarter, to bring output in line with that of 1992. Meanwhile, Mr Mead says he intends to continue to trim his workforce, and will squeeze out an additional \$34m in quality savings in 1994.

Still, analysis say the turn-round is weak at best. Mr Frank Manfredi, editor of Machinery Outlook, an Illinois based newsletter, says Case's practice of rolling earnings from the financing unit into profits boosted the thirdquarter bottom line. Without the credit subsidiary's contribution, Case's year-to-date operating profit is a mere

The company's European to swallow. "They're trying to



Reaping the rewards: Case is counting on an end to farmers' self-impo-

cuts have been difficult and markets there are shrinking, while the US agricultural econ-

omy remains flat.
Mr Mead says it is not yet time to ease up. This is just the beginning of the transfor-mation," he told analysts recently. "It's been a long, tough struggle and we're not getting any help from our mar-

Indeed, Case is projecting sales of \$2.8bn in North Amer ica this year, and about \$1.1bn in Europe, its second-largest

Of those sales, about 60 per cent will be agricultural machinery and 40 per cent in construction equipme The late harvest has delayed the autumn selling season for big-ticket agricultural items such as tractors by about three weeks in North America. Meanwhile, farmers who are used to buying Case's shiny red tractors at juicy discounts

are finding value pricing hard

wait us out looking for yearend mark-downs," one dealer

And while US farm income is up slightly this year, it is projected to be down 8 per cent in 1994, a forecast that reinforces Mr Mead's determination to raise operating profits even as

n Europe, the situation is even more dismal. European tractor sales are projected to fall to 106,000 units in 1994, down from 181,000 in 1990. Industry-wide sales of construction equipment are flat to lower. And unlike North America, competition is fragmented

market remains depressed. We don't have any idealistic views about the 1994 market," says Mr Steve Lamb, Case's managing director for Europe. Case's policy of holding the line on discounts has not succeeded in Europe, where Deere,

The big German construction

market, is pricing aggressively. Case operates eight manufac-turing plants in Europe, most of them the legacy of Ten-neco's acquisition of France's Poclain construction equipment and International Harvester's agricultural divisions

Several small manufacturing operations are being closed or reduced in size, with redundancles of about 1,000 workers. That includes the 266 redundancies at Case's French plants announced in September. Given Case's ambitious

restructuring plans and the struggling state of Poclain's businesses, "its a pretty safe bet that you'll see more closures in France", where about half of Case's 7,500 European employees are situated, Mr Lamb says.

The contraction is fundamental to the success of Case's turnround. "It is essential to get the size of production down to the size of the market," Mr

Norwegian bank back in black

By Karen Foseli in Osio

SPAREBANKEN Nor, Norway's third biggest bank in asset terms, yesterday disclosed it had returned to the black in the first nine months of this year, posting a pre-tax profit of NKr1.034bn (\$14m), against a NKr210m loss last

The sharp improvement was helped by substantial gains on securities, lower interest rates, and a decline in loan losses. The bank, known internationally as Union Bank of Norway, increased net interest income by NKr315m to NKr2.39hn in the nine-month

and foreign exchange - more than doubled to NKr1.55bn from NKr671m.

About half the improvement is due to gains on securities," Sparebanken Nor said: Group operating expenses rose slightly by NKr84m to NKrl.85bn as operating profit, before credit losses and writedowns, more than doubled to NKr1.99hn, or 2.82 per cent of average sasets, from NKr875m. Losses on loans and guarans were cut by NKr124m to

"Calculated on an annual basis, the loss ratio for the first

period as other operating nine months was 1.6 per cent income - gains on securities of gross loans, while for 1992 the figure was 1.9 per cent," the bank said.

Sparebanken Nor has recommended a dividend payment of not less than NKr15 per pri-mary capital certificate (PCC)

PCCs are financial bourselisted instruments, similar to preference shares, which are traded like usual stocks and governed by the same legislation. They are used by Norway's savings banks to raise fresh equity capital and to expand their ownership to include a limited percentage of foreign spareholders.

Asbestosis claims charge pushes Cigna into the red By Richard Waters

in New York...

A \$244m after-tax charge to cover aspestosis and environmental claims pushed Cigna, the US insurer, into the red during the third quarter of the

The company size took a \$107m charge to cover 1,400 redundancies in its health and property/casualty businesses, which have already been reported, as well as a further 800-1,000 job losses expected in the next 18 months.

The lidest charges led Cigns, one of the leaders in the US

health and life insurance businesses, to post a net loss of \$94m, or \$1.31 a share, for the period, compared with a net profit of \$50m. or 70 cents. a Year ago.

The scale of the loss was reduced by a \$48m benefit from the change in the US corporate bac rate.

The results a year before had been struck after one-off items which led to a net benefit of \$42m.

Operating results during the period in health, pension and life businesses had been strong, said Mr Wilson Taylor,

sappi limited

INTERIM RESULTS for the ab: months to 31 August 1993

SUMMA	ary of result	8
for the ab: mont	the to 31 August (ur	naucited)
	1993	1992
Sales	384 3m	\$721m
Operating income	\$31m	\$77m
Net income	\$20m	\$62m
Eamings per share	13 cents	47 cents
Employees	20 145	20 727*
"28 February 1993		

As predicted in the annual report the total income for the half year to 31 August 1993 dropped significantly from the level achieved in the same period last year. All markets in which the group operates were very weak and, particularly in Europe, selling prices fell to well below the already reduced prices prevailing a year ago.

In South Africa selling prices fell in nominal terms for the first time in many years in spite of inflation of nearly 10%. Tight east control however parity cushioned the impact of declining

in Europe the excess of supply over demand and the epositioning (mainly through currency devaluation) of the Nordic countries from being high cost producers to low cost producers put further downward pressure on prices. These factors severely depressed the results, particularly of Hannover Papler which operated at a significant loss. In the United Kingdom the devaluation of the pound and the restructuring undertaken last year helped to improve the situation and Sappl Europe reached approximately a breakeven result. Through our recently established marketing arm in Brussels, the market penetration for Hannover and Sappl Europe's products in Europe is much improved.

Although earnings are very disappointing, the group's performance is in line with those of the better performing international forest product companies.

As a result of including the turnover of Hannover Papier, turnover for the period was \$849 million, 17% above the



turnover for the same period last year. After adjusting for this factor, turnover remained flat — a direct reflection of the low selling prices and difficult trading conditions. The group generated 63% of its turnover outside of South Africa and nearly 50% outside each of its home markets.

Operating income was \$31 million, a decrease of 60% compared with last year and takes account of South African restructuring and drought related costs of approximately \$3,4 million. Earnings declined to 13 cents per share and in the short of the lower trading conditions and tack of promise in the short term, the directors have decided not to declare an interim dividend.

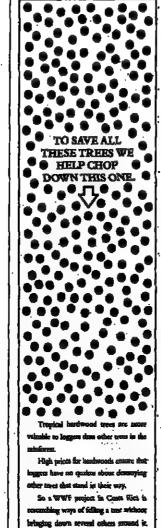
There is a dispute in regard to a prior year claim against a third party of approximately \$6 million which may be subject to ittigation and if not resolved in the company's favour, will affect this year's results.

The \$314 million expansion and modernisation programme at Salocor is now well under way and is scheduled for com-pletion early in 1995 when it is anticipated that the market for dissolving pulp will have improved and selling prices

The outlook for the immediate future is still poor and earnings per share for the second half year are expected to be well below those of the second half of last year, and may be similar to the first half result. Cost control is except and the group is well positioned to take advantage of an upturn.

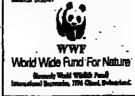
Sappi Management Services (Pty) Ltd, Secretaries, per D J O'Connor

21 October 1993



And how to rettove it without buildowing

a cash chrough the partoqueling texts. If the rainforcess acc teach which, they an be used forever. Help WWF prove this in minforests around the world, by writing to the Membership Officer at the saldress below.





CORPORATE CAPITAL AT LLOSD'S

A Nationwide

Nationwide Building Society US \$150,000,000

Floating Rate Notes Due 1995

Nationwide Building Society advises all holders of the Notes that it is offering (the "Offer") to purchase Notes at a price of 100,00%, purchases to be effected on the read interest Payment Date, November 28th, 1999, interest on Coupons felling due on such date will be peld in full. will be peld in full.

Notes in respect of which the Offer is to be accepted should be delivered together with all Coupons maturing after November 24th, 1992, to the specified office of any Paying Agent together with a completed Acceptance Form which may be obtained from any such office. Notes purchased pursuant to the Offer and all unynetured Coupons surrandered therewith will be cancelled. Where Notes are held in Eutoclear or CEDEL, accountholders will be advised of the Offer by Euroclear or CEDEL, as the asse may be and should contact Euroclear or CEDEL through the contact nervise which will be advised to them in order to accept the Offer.

The Offerwill remain open until close of business on Wednesday 17th November, 1983. Any queries about the Offer can be made directly to Netlonwide (John O'Driscoll on 0604-793952).

November 3rd, 1993



INTERNATIONAL COMPANIES AND FINANCE

Japanese refiners hit by fall in prices

By Emiko Terazono



Japan's leading oil refiners and distributors
were hit by a
fall in demand - due to the stagnant economy, and a fall in

Cosmo Oil, a leading oil wholesaler, reported a 7.3 per cent slide in non-consolidated ales to Y690.9bn (\$6.4bn) for the first six months to September, due to the 3 per cent fall in sales volume. However, the company saw a 19.1 per cent rise in pre-tax profits due to higher profit margins for gasoline and kerosene.

A Y1.2bn fall in its financial deficit figure due to repayment of loans, also helped profits. After-tax profits fell 22.5 per cent to V5.2bn as the previous year's figures were supported by income from land

For the full year to March, Cosmo expects continued slug-gish demand for all products, and forecasts a 5.3 per cent fall in sales to Y1,470hn and profits to rise a marginal 0.6 per cent

Nikko Kyodo, a mining and oil refining company which was established last December through the merger of Nippon Mining and Kyodo Oil, saw interim sales fall 8.6 per cent to Y664.2hn due to the fall in off prices. Pre-tax profits however rose 28 per cent to Y12.3bn, while after-tax-profits rose 78 per cent to Y7.2bn.

For the full year to March the company expects pre-tax profits of Y34km on Y1,400bn in sales. After-tax profits are expected to total Ylbn as the company plans to book an extraordinary loss to liquidate Gould, its US unit.

Earnings at NZ utility ahead 19%

By Terry Hell

o the

TELECOM Corporation, the New Zealand utility controlled. by Bell Atlantic and Amerih, yesterday announced a 19.1 per cent increase in caraings to NZ\$251.4m (US\$189.5m) for the six months to the end of September.

Dr Roderick Deane, chief executive, said the "excellent" result was due to cost-cutting. "well focused, powerfully driven marketing initiatives" and the benefits of the continu-

ing restructuring.
In February the company ennounced plans to cut the payroll by 5,000, and this process was running shead of schedule, he said. The total employed had so far been cut to 10,360 from 12,338. Net earnings for the second

quarter rose to NZ\$133.2m, a 17 per cent rise on the year-ago figure. However, the company warned against the expectation of earnings continuing to rise at that rate.
The dividend is being raised

to 8.25 cents from 7.25

Operating costs, excluding abnormal operating costs, fell by 4.8 per cent to NZ\$797.5m from NZ\$837.4m. Total operating revenue was NZ\$1218.5m a rise of NZ\$3.5m.

Indian chemical group climbs

TATA CHEMICALS, the Indian fertilisers and chemicals company which is part of Tata, the country's largest industrial group, reported a 125 per cent advance in net profit to Rs883.9m (\$28.2m) in the six months to the end of September, from Rs392.7m a year writes Our Financial

Net sales amounted to Rs2.22bn, compared with Sultan adds New York hotel to his collection

HK Telecom plans cable TV service

By Simon Davies in Hong Kong

HONGKONG Telecom has announced plans to cash in on its existing telecommunications system by setting up a cable TV and video on demand vice. The move comes two days after the launch of Wharf Holding's HK\$5bn (US\$847m) cable television network for

Hongkong : Telecom attempted to bid for the first cable network franchise awarded in 1969, but the government decreed that it could own only 15 per cent of a cable

Almost a year later, the CCPC is still occupying one floor in a half-empty building,

and the banks' non-performing

loans continue to increase. The

collapse this week of Mura-

moto Construction, a provincial contractor, has added to

the total; its outstanding debt

is estimated at a record Y590bn

The aim of the CCPC, established in January, was to buy

the banks' non-performing

loans and oversee the sale of

property collateral, enabling

them to write off the resulting losses. The banks hoped its valuations would put a floor under property prices, which have fallen by as much as 70 per cent over the past three

But the Muramoto collapse, which will leave deep scars at a few regional banks, raises

doubts over the CCPC's ability to assist those most in

Mr Akira Miyagawa, manag-

However, .the - unexpected

Muramoto failure has rekin-

died concerns. Doubt remains

over the extent of the damage

tomers and pumped money

operator and could not use its the Hutchison Whampos group telephone network to relay the service, due to its monopoly

The monopoly on domestic services disappears in 1995. and since Wharf is planning to use its cable system as the basis for a second telecommunications network, Hongkong Talecom expects to be allowed to do the same, once Wharf's three-year exclusivity period expires in June 1996.

Hongkong Telecom anticipates that it would invest more than HK\$1bn in building up a expected to be joined by

in its application for the

Mr Peter Howell-Davies, Hongkong Telecom's deputy chief executive, said: "It is the right strategic step for us to extend the range of our video services to meet the needs of medium-sized business and domestic customers, as well as the major cornorations."

Hongkong Telecom plans to launch a service whereby customers can dial a number and have videos delivered to their TV set through the telephone

Wharf Cable officials claimed

such a service would provide only niche competition, since it currently offers eight channels, of which only one includes movies

The push to launch a cable channel will cause greater concern, since Hongkong Telecom would be in a position to set up a network more rapidly and cheaply than any other

It has the obvious advantages of its existing network and its business relationship with almost every family in the colony. However, the move does underline the attractive ness of Wharf's new franchise.

Robert Thomson reports on the continuing trouble with bad debts

Westablished the Cooperative Credit Pur. Property is still chasing Company to clear the industry's problem loans, they housed it in a half-empty the problem for Tokyo office building. It was an apt reminder of the property market collapse that is blamed for the banks' Japanese banks

into speculative property evelopments.
At the end of March, Japan's

21 leading banks declared that they had non-performing loans of Y12,700hn, just over 3 per cent of total lending. That figure is thought to have risen to about Y14,000on by the end of

Actual exposure is widely estimated at Y30,000bn or more, if lending by affiliates in included, but even that figure does not measure the burden of loan repayments frozen by many troubled clients.

The Muramoto case high-lights the "hidden" liabilities carried by many Japanese com-panies, some of which routinely exaggerated the value of their land collateral and provided loan guarantees not reported in accounts. Mura-moto is said to have guaran-teed loans worth Y150bn, leaving it more vulnerable than the banks had realised.

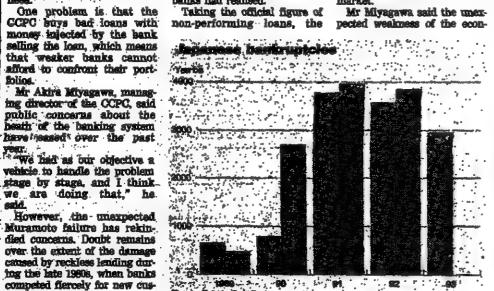
Taking the official figure of non-performing loans, the CCPC has made little impres sion on the total. Until the end of October, loans with a face value of Y1,919bn had been purchased through the com-pany for YI,084bn - the price is calculated by a valuation panel which assesses the property collateral and other relevant assets.

However, the company has been able to recover only Y4.43bn of the Y1.084bn, meaning that most banks are unable to find buyers for property collateral.

At least the banks can claim the loss on their sale to the CCPC as a tax deduction; previously, they were virtually forced to wait until their client was declared bankrupt before tax authorities would accept the write-off.

ut the CCPC has not ful-filled its stated aim of stimulating the property

Mr Miyagawa said the unexpected weakness of the econ-



Associated Dairies said in its a profit of almost ASSm, if it

omy, partly caused by the yen's sharp appreciation. has worked against a recovery in property prices - in all, 755 loans have been bought by the CCPC but property assets have been sold in only 19

"I think you can already see some improvement in the resi-dential property market, but commercial property prices are still tending to fall. They could continue to fall over the next year but, in the longer-term, the market will recover," Mr Miyagawa said.

Nor are the banks helping the CCPC's cause. They have insisted on secrecy for more than 50 per cent of their sales, defeating the aim of providing information on property trends. And the pattern of sales, with a rush in the weeks just before the interim and annual book closing, works against the desired image of the CCPC presiding over an orderly resolution of problem

In the period from April to September, 510 loans were pur-chased by the company; 414 were bought in September, just before the close of the first half. In October, banks brought only 16 loans to the CCPC suggesting that most institutions see it merely as a vehicle to speed write-offs for tax purposes. Mr Miyagawa expects that the flow of bad loans will become more consistent.

Japanese hanks, which will announce their first-half profits later this month, are able to afford write-offs because of falling interest rates, which have created a favourable spread. The official discount rate is now at a record low of 1.75 per cent, meaning that the cost of carrying the bad loans has also faller. Without the good fortime of an interest rate fall, the CCPC would be under more pressure and the banks would be in greater pain from past

But the sudden failure of Muramoto Construction is a warning that Japanese banks' had loan bangover from the late 1980s is far from over.

Hopewell to create power unit

HOPEWELL Holdings, the Hong Kong listed property and infrastructure group, is to create a separately listed company for its power plant operations, which will have an initial stock market value of HK\$12,75bn (US\$1.65bn). Consolidated Electric Power

Asia (CEPA) will become the holding company for all Hopewell's power generation proects. Hopewell was the first Hong Kong company to con-struct a power station in China and it has expanded this business into the Philippines. It has completed three pro-

By Mildd Tait in Sydney

ASSOCIATED Dairies, the

Victoria-based dairy products

company which is the focus of

an A\$82m (US\$55m) bid battle,

is recommending that share-

holders accept a A\$3.35 a share

offer from QUF Industries in

"Your directors regard the

offer as fair and reasonable

and recommend that you join

them in accepting this offer in the absence of a higher offer."

the absence of a higher bid:

jects with a combined capacity of 1,010MW, and is constructing two more plants which would add a further 2,715MW. CRPA is to issue HK\$8bn of

partly-paid shares to the parent company, and a further HK\$4.7bn of shares to outside investors, including Hopewell's largest shareholder Mr Gordon Wu and Mr Li Ka-shing's Cheung Kong group. Peregrine International, the parent of the listed financial services group, and the large Japanese trading group Kanemaru will also take minority stakes.

The public offer will be valned at around HK\$7.5hm based on the projected issue price of

formal bid response document

Australian Co-Operative

Foods (ACF) has launched a

rival bid for Associated

Dairies, but this is currently

cent of its target's equity, shares which were bought at

prices significantly below the

This would allow ACF to

walk away from the battle with

ACF holds just under 20 per

worth only A\$3.25 a share.

filed yesterday.

QUF offer terms.

HK\$10 a share. The Hopewei group's own share placement will be issued on a partly-paid basis, but assuming full subscription, it will control 63 per cent of the new company. The capital raising will

enable the group to fund

an aggressive expansion The company claimed that "a separate listing of CEPA will enable investors to assess the business of the CEPA Group and the other business

of the Hopewell Group inde endently which, in the opinion of the directors of the company, will enhance the market rating of the Hopewell Group". **Associated Dairies backs QUF offer**

chooses not to raise its terms

Associated Dairies directors

however, advised shareholders

to wait until the last minute

before accepting the offer from

*As your company has a

unique position within the Vic-

torian dairy industry, it is pos-

sible that either or both of

these offers could be revised

upwards in the days ahead,"

they said.

Tokyo broadcast unit alters view

TOKYO Broadcasting System a leading Japanese commercia broadcasting company, issued revised unconsolidated earntnes forecasts showing expects tions for increased profits but falling revenue for both the six months to September 30 and the full year to March, AP-DJ

reports from Tokyo. The company said a review of costs and programming conducted last summer had resulted in a greater impact than expected on earnings.

Proton sales drive

PERUSAHAAN Otomobil Nasional Bhd (Proton), Malay-sia's national car company, plans to start exporting left-hand drive cars to conti-nental Europe by the middle of 1994, the company said, Reuter reports from Kuala Lumpur. Proton in which Japan's Mitsubishi Corp and Mitsubishi Motors have a total 17 per cent stake, has formed a joint venture to sell its cars in Europe.

Malaysia/US deal

MALAYSIAN Helicopter Services has bought a 24.9 per cent stake in US cargo and passenger charter operator World Airways for US\$27.4m. Reater reports from Knala Lampur.

29th October, 1993

Equitable Cepital DHO Ltd. Sales Interests Follow Fireways

Pursuant to the Indenture dated as of October 1, 1990, between the Issuer and State Street Bank and Trust Company as Trustee, notice is hereby given that for the Interest Accusal Period October 29, 1983 to April 28, 1994, the Note interest Rate applicable to the Senior Notes is 423750% and to the Second Priority Sanior Notes is 5,18750%. Interest payable per \$1,000,000 principal amount of a Senior Note on April 29, 1994 will be \$21,422,92, and per \$1,000,000 principal amount of a Senior Note Note will be \$26,225,59.

CIA. VALENCIANA DE

Multicurrency Term Facility Pesetas 40,000,000,000

Citibank N.A., Sucursal on España Morgan Guaranty Trust Company of New York, Secursal on España Union Bank of Switzerland

Banco Bilbao Vizcaya, S.A.

Banco de Negocios Argentaria Banco Zaragozano, S.A. Banque Bruxelles Lambert, S.A.

Caia de Ahorros y Pensiones de Barcelona

Crédit Lyonnais España Midtand Bank plc, Sucursal en España

Citibank N.A., Sucursal en España - Administrative Agent J.P. Morgan Securities Ltd. Union Bank of Switzerland

October 1993

This ennouncement appears as a matter of record only

Banco Comercial Transatlántico

(Deutsche Bank Group)

Banco Santander, S.A.

Bank of America, S.A.

Banque Paribas, S.A.

Chemical Bank.

Sucursal en Espoña

ING Bank

All of these securities having been sold, this announcement appears as a matter of record only.



HANNOVER RÜCKVERSICHERUNGS-**AKTIENGESELLSCHAFT**

DM 150,000,000

7.55 % Genußscheine 1993/2003

Jointly arranged and placed by

Deutsche Bank AG

J.P. Morgan GmbH

November 1993

\$63,000,000 Class A1 \$39,000,000 Class A2 \$15,000,000 Class A3 \$8,000,000 Class B Mortgage backed notes due

Mortgage Securities

(No.3) PLC

2035 For the interest period 29 October 1993 to 31 January 1994 the notes will bear interest as

Class A1. 6./25% per annum Class A2 6.3% per annum Class A3. 6.4% per annum Class B. 6.75% per annum interest payable 31 January 1994 will be as follows:

A1. 5887.32 per 556,252,00 note A2. \$1,622.47 per \$100,000 nate A3. \$1,648.22 per \$100,000 nate B. \$1,738.36 per \$100,000 note Agent: Morgan Guaranty Trust Company **JPMorgan**

Auto Funding PLC £129,000,000 Class A Floating Rate Notes due 1996 In accordance with the provisions of

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 3lst January, 1994 has been fixed at 6,40% per annum. The interest secruing for such three month period will be £164.82 per £10,000 Note on 3lst January, 1994 against presentation of Coupon No. 9. Union Bank of Switzerland
London Branch Agent Bank

To the Holders of WARRANTS OF

TOHO ZINC CO., LTD.

(the "Company") U.S. \$55,000,000

5 per cent. Guaranteed Notes due 1995 with Warrants

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE NOTICE IS HEREBY GIVEN that, as a result of the

issue by Toho Zinc Co., Ltd. (the "Company") on 28th October, 1993 of U.S. \$120,000,000 % per cent. Guaranteed Notes due 1997 with Warrants to subscribe for shares of common stock of the Company at an initial Subscription Price of 605 Yen per share, the Subscription Price for the above captioned Warrants has been adjusted.

With effect from 28th October, 1993, the Subscription Price at which shares are issuable upon exercise of the Warrants issued in conjunction with the U.S. \$55,000,000 Notes due 1995 was adjusted from 658 Yen. to 652.8 Yen per share of common stock of the Company.

Dated: November 3, 1993

IBJ SCHRODER BANK & TRUST COMPANY on behalf of TOHO ZINC CO., LTD.

Banca Nazionale del Lavoro S.p.A. (London Branch)

DIVI 75,000,000 Floating Rate Depositary Receipts due 1995

In accordance with the Conditions of the Receipts, notice is hereby given that for the Interest Period from October 29, 1993 to April 29, 1994 the Receipts will carry an Interest Rate of 6.1875% per annum. The Coupon Amount payable on the relevant interest Payment Date, April 29, 1994 will be DM 312.81 per DM 10,000 principal amount and

The Reference DM 3,128 13 per DM 100,000 Kredietbank

ARTIFICIAL INTELLIGENCE PUTURES TRADING "INTELLIGENT TECHNICAL SYSTEMS"
LEADING CONSULTANTS. n

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7-5

By Kleran Cooke in Kuala Lumpur

SULTAN Hassanal Bolklah of Brunei collects luxury hotels like the rest of us collect post-

age stamps. But when you have a personal fortune of \$37bm you can afford to be a bit choosy about where you put your head down

for the night. The Sultan of Brunei (left) this week agreed to pay \$202m for the luxurious New York Palace Hotel on Madison Avenue. The Sultan and his family also own the top of the range

Reverly Hills Hotel in Calif- least two houses in Beverly ornia and the Dorchester in

Closer to home, the Sultan. controls two Hyatt hotels in Singapore. When the Sultan held a sit-down dinner party last year at his palace in Brunel for nearly 6,000 people as part of celebrations of his 25 years on the throne, Hyatt chefs and waiters were flown in from Sydney and Tokyo.
If the Sultan tires of hotel living on his frequent

trips abroad there are alterna-

tives available. The Sultan's

family are believed to have at

Hills There are various houses

and flats dotted round London. Then there is the main British residence - a country house conveniently situated close to Heathrow airport, The Sultan also has a mansion in central Kuala Lumpur. The Sultan's latest acquisi-

tion has an interesting history. The New York Palace Hotel was once called the Helmsley Palace, after Mrs Leona Helmsley, once the most famous hotelier in the US and a lead-

empire came crashing down in 1989 when Mrs Helmsley, known as the "Queen of Mean" for her treatment of hotel employees, was sentenced to imprisonment for tax evasion and mail fraud. As the Sultan of Brunei's

But the Helmsley hotel

investment advisers were putting the final touches to documents buying the old Helmsley Palace. Mrs Helmsley herself was moving into less salubrious hotel accommodation - a halfway-house low-cost hotel just down the road from her

Eurosterling offer from British Land finds favour

VOLUME in the international bond market picked up yesterday as British Land launched its widely-expected Eurosterl-

ing offering. The commercial property group raised £150m through an offering of 30-year Eurobonds. The relatively generous yield spread on the unsecured bonds ensured a favourable reception with investors. The bonds were priced to yield 180 basis points over the 8% per cent UK gov-erament bond due 2017.

said that following this issue, the average materity of British Land's outstanding debt would exceed 20 years. Only a few years ago, 70 per cent of the company's debt had a maturity of less than five years.

tors, had a fixed re-offer price of 98.843. When they were freed to trade they eased to 98.69 bid, in line with the weakness in the underlying UK government bond market. However, the spread on the bonds narrowed to 178 basis points.

The Spanish autonomous region of Catalonia is expected to make its debut in the international bond market today

INTERNATIONAL BONDS

Lead manager S.G. Warburg with a FFr1bn offering of 10year Eurobonds. Catalonia's Europonds, via CCF, are likely to be priced to yield 30 to 35 basis points over the underlying French government OATs.

By contrast, the forthcoming The bonds, which were mainly placed with UK investment for the Spanish

autonomous region of Andalu-cia is expected to have a yield spread of around 35 basis

Depfa, the German mortgage bank, is expected to achieve a yield spread of 20 to 25 basis points when it raises between FFr2bn and FFr3bn through an offering of 10-year Eurobonds. Catalonia's issue is the result

of the region's decision to open new channels for financing its debt. The region plans to fund up to a quarter of its annual borrowing needs in foreign bond markets from next year. The region also plans to raise Pta25bn before the end of the year in the domestic Spanish market. The domestic issue and the Eurobond issue will complete the region's 1993 borrowing programme of Pta93bn. Catalonia plans to raise a similar amount next year.

rating of Aa2 from Moody's, has chosen French francs for its first Europond offering because of the low volatility between the franc and the peseta. Between 30 to 50 per cent of the proceeds of the

forthcoming Eurobond issue will be swapped into pesetas. In the Eurodollar sector, the Kingdom of Sweden increased

sought protection against the volatility in the US Treasury

In the domestic sterling bond market, NatWest Capital Markets brought a £125m issue of debenture stock due 2018 for

its recent global offering of vehicle consisting of 10 hous-floating rate notes (FRNs) by ing associations. NatWest said \$500m to \$1.50m as investors ... that the introduction of cove-

nants relating to capital and income gearing and its agree-ment to provide a 25-year loan. facility representing 5 per cent of the nominal stock were designed to meet any investor concerns about the long matuissue.

ncreased	HSIOS'	a new	specia	purpose	THY	OI THE
NEW I	HTERM	ATIO	NAL	BOND	ISSU	E3

Borrower US DOLLARS	Amount pl.	Coupon %	Price	Meturity	Fees %	Spread bp	Book runner
Asia Credifs(a) Meditrustifs Kingdom of Swedent(d) Philippine Nat.Power Corps	100 75 1.5bn 200	3.5-4.0 6,875 (c) 7.826	100 100 99.90 100R	2003 Nov.1998 Nov.1998 Nov.2000	0.10	+226 (81/-00	Setomon Brothers NetWest Capital Marketa Lehman BroskiP Morgan Morgan Stanley Inti.
STERLING Habos British Land#	. 125 150	8.375 8.876	99.0§1 100.718R	2018 2023	250	+180 (8%-17)	Natwork Capital Markets 8.G.Warburg
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Mexican firm buys control of Rodman

By Laurie Moree in Chicago

ANACO Casa de Bolsa, the Mexican securities firm, has ended a year-long debate over the future of Chicago-based regional brokerage firm Rod-man & Renshaw Capital by agreeing to buy a majority

Analysts said that if the purchase cleared regulatory review, it would be the first time that a Mexican financial company has acquired control of a US securities firm.

Rodman is the only remaining publicly-traded securities firm in Chicago. It began seek-ing buyers in September and had been expected to accept an offer from the New York investment company Josephthal, Lyon, and Ross. Abaco's bid, at \$10.50 per share for 51 per cent of Rodman's 4.3m outstanding com-mon shares, is understood to

be about \$1 above the Jose-The purchase will give Absco, the brokerage arm of Monterey-based financial services company Abaco Grupo Financiero, an unusual presence in the US. It has an office

in New York. Rodman has 500 employees

Weak Treasuries hit European sentiment

By Tracy Corrigan in London and Patrick Harverson

THE WEAKNESS of the US Treasuries market continued to dampen sentiment in Europe's government bond markets yesterday.

In these unfavourable conditions. German bunds strongly outperformed other continental Suropean markets, with the Bundesbank opening the way for further easing of market interest rates by announcing that today's auction of 13-day securities repurchase agree-ments will be at variable rates. Weak industrial production

GOVERNMENT BONDS

data also underpinned hopes that there could still be room for easing. "The bund market tends to

hold on to its value better, when there is uncertainty," said Mr Adrian James, a bond analyst at NatWest Capital

BOND markets in France, Spain and Italy, which were closed on Monday for All Saints' Day, all fell yesterday, with Italy recording the sharpest decline of about a point, which dealers attributed

FT FIXED INTEREST INDICES New 2 New 1 Oct 29 Oct 28 Oct 27 ago High " Low* Servit Secte (UK) 102.88 102.36 102.97 102.85 102.98 94.00 103.80 93.26 Floral Advenut 124.13 124.25 124.35 124.35 124.83 107.73 125.20 108.67 GILT EDGED ACTIVITY Oct 28

partly to political worries. The Italian Treasury's latest issue of L4,500bn 10-year BTP notes were sold at a gross yield of 9.16 per cent, up from 8.88 per cent at the previous auction of 10-year notes on October 1.

Spain and Italy are "the markets where investors have the the most to lose, having notched up very high returns this year. It makes sense to get out of the market, or move to the short end," said one trader. Because these markets are more volatile, they typically lose considerable ground when traders become

The French bond market also struggled yesterday, los-ing haif a point while bunds posted a slight gain. This caused a further widening of the 10-year yield spread between French and German bonds to 22 basis points, com-

pared with 14 basis points on Friday and about 5 basis points a week ago. Dealers said that there was some surprise at the speed with which the spread had wid-

■ IN LONDON, gilts closed slightly higher after partially retracing earlier gains. Details of the Bank of England's quarterly inflation report were released too late to have much impact on prices, but traders said that the market may react negatively today, as the Bank's worsening inflation outlook is bearish for the bond market, The report said that the Bank of England's near-term inflation expectations have risen and there is a "slight poesibility" that underlying infla-

tion could climb above 4 per

cent next year, breaching the

government's official target

■ US Treasury securities con-tinued to slide at both ends of

the market yesterday as investors reacted badly to news of stronger home sales. By midday the benchmark 30-year government bond was down % at 1024, yielding 8.058 per cent. At the short end of the market, the two-year note was down at at 99%, to yield 4.139 per cent.

Recent evidence that the economy is picking up steam has put the bond market on the defensive, and for the second consecutive day yesterday

BENCHMARK GOVERNMENT BONDS
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> prices eased at the opening in the wake of fresh economic data. The trigger for the selling was the much bigger-thanexpected 20.8 per cent surge in September home sales, the big-gest monthly increase since September 1986.

Although analysis said the big rise in sales was primarily due to one-off seasonal factors, the data deepened concern among retail investors that accelerating economic growth, could drag interest rates higher and eventually lead to a revival of inflation.

Efim bank creditors set for repayments

BANK creditors to Effm. the Italian state holding company put into voluntary liquidation in July 1992, may be on the brink of receiving their first repayments.

L2,170bn should be paid shortly following the signature in late October of a special decree by Mr Piero Barucci, treasury minister.

The repayment will be made in the form of government bonds. The five-year govern-ment bonds being paid to creditors will carry a coupon of 6.20

Once necessary bureaucratic procedures are completed, between Li,450hn and Li,500hn will be reimbursed to around 20 Italian creditor banks.

Separately, Banca Commerciale Italiana, the bank which is to move from state control into the private sector and which is an agent for Efim, will receive about 1.700bu

for on-payment to non-bank

The first of Efim's major repayments still leaves most foreign bank creditors in the

cold, however. Last month, a separate treasury decree authorised prelimi-A first tranche of more than nary payments of L225bm, also in the form of government bonds, to a number of domestic and foreign banks. However, the bulk of Efim's foreign bank creditors are awaiting reimbursement of their loans, which are due to be repaid in a variety of foreign currencies rather than lira bonds.

\$

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The latest decree opens the door to the first big reimbursement of creditors since Efim went into liquidation.

In spite of the repeated promise of speedy repayment by Esim, reimbursements have been bogged down by bureau-cratic problems, notably the tussle between the Italian government and the European commission in Brussels over alleged illegal state aid.

Futures trade in Europe beats records

By Tracy Corrigion

THE EXPANSION of European futures trading shows no sign of abating, with Europe's leading futures exchanges continuing to set new volume records. Both Liffe in London and the Matif in Paris, Europe's two largest futures exchanges, have already traded more contracts than for the whole of last year. Liffe traded nearly. 83m contracts in the first 10 months of 1993, compared with around 72m for 1992 at a whole. The Matif, meanwhile, has traded more than 60m contracts so far, compared with 55m last year.

Last month, Liffe traded more than 10m-contracts in a single month for the first time, and open interest reached a record level of more than 4m contracts. While the two largest US exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, continue to dominate the market, European exchanges are

narrowing the gap.

Citicorp aims to tap Russian bills trading

in Moscow early in 1994, sees a big potential in Russia's fledgling Treasury bill trade, Reuter

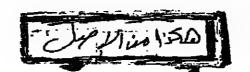
reports from Moscow.
"We believe there is potential for this market to grow and become very big. As soon as we open we will be registered as a government securi-ties dealer," said Mr Miljenko Horvat, who heads Citicorp's Moscow operation.

"We are very interested in seeing the securities market develop in Russia. The T-bills give our clients with rouble belances an investment oppor-

Bankers say the accounts of foreign multinationals in Russia, many of which have to fly in cash to fund operations in the absence of western-style banking services, are up for grabs for western newcomers to the Russian banking scene. In the absence of competition, Russian banks are charg-ing commissions of up to 5 per cent per deal.

MARKET STATISTICS

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Powerscreen ahead to £12.6m

By Paul Taylor

POWERSCREEN International. the Northern Ireland-based manufacturer of screening and stone crushing equipment, yes-terday reported a 12.5 per cent increase in interim pre-tax profits helped by strong sales growth, particularly in the Far East and North America.

Pre-tax profits in the six months to September 30 rose from £11.2m to £12.6m - the 11th successive increase.

Turnover on continuing activities increased by 16 per cent to \$59.4m against \$51.3m, which included £5.92m from discontinued operations.

Earnings per share rose to 10.3p (9.7p) from which the

closed up 3p at 372p. Mr Shay McKeown, chief executive, attributed the profit improvement to the success of

the group's strategy of focus-ing on its core manufacturing He said this had resulted in each subsidiary, with the exception of CPV which was

acquired in September last year and therefore made no contribution to last year's interim results, producing increased

Powerscreen International Distribution, the biggest sub-sidiary which manufactures

interim dividend is being to lift its turnover by 15 per raised to 2p (1.8p). The shares cent to £21.8m (£18.9m) buoyed by increased penetration of the Far Eastern market and the continued recovery in North America. Unit sales rose from

> launched in February, togethe with an upturn in the UK crusher market belped Brown Lenox lift its sales by 18 per cent to £12.9m (£11m.) However, Mattero, which was acquired in 1991 and makes

Sales of a new jaw crosher

telescopic bandling machinery for the agriculture and con struction markets, recorded the biggest relative increase in turnover helped by strong exports to continental Europe. Sales jumped by 66 per cent to

The introduction of the subcontract labour system at Finlay, which manufactures wash-

ing and screening equipment, lifted both turnover and profits. Sales grew by 32 per cent to £7.7im (£5.5im). The latest profit figures come after \$700,000 of reorgani-

sation costs related to CPV.

which manufactures pressur-ised vessels mainly for the chemicals and food industries. Overall, Mr McKeown said group order books remained strong, buttressed by new products and strengthened dealer networks. The group ended the period with net cash

Coal Investments bullish on prospects

Curp aim

ip Russ

trading

THE CHAIRMAN of Coal Investments, the former Geever group whose shares will recommence trading tomorrow, has told shareholders that pits acquired by the company will make operating profits

immediately. In a bullish statement, Mr Malcolm Edwards, former British Coal commercial director, also predicted that the steam coal market in England and Wales would exceed 50m tonnes by the middle of this decade, at the top end of market

With imports expected to be low "we are satisfied there is sufficient scope for several efficient mines to operate profitably alongside British Coal mines servicing core contracts [with generators]."

The shares are returning to the market following their suspension 18 months ago at 4.75p. However, it is a considerably dif-ferent company following Mr Edwards' appointment as chairman and a restruct-

A recent extraordinary meeting agreed the acquisition of a company which owns

Capital House buys bring

funds to near £5bn mark

the Cwinguili mine in south Wales and the raising of \$1.35m through a rights issue and shares placing.

Coal Investments will acquire any rights that arise from applications made by Edwards Energy, a company owned by Mr Edwards, to operate five collieries owned

Mr Edwards said the acquisition of mines should be complemented by the development of inter-related businesses, including coal distribution in the UK, coal

Body Shop dispute in Singapore

By Maggle Urry

BODY SHOP International, the retail group which operates largely through franchisees, has become embroded in a dis-pute with the head franchisee of its Singapore operation, where the group has 11 of its near 1,000 shops. It has been in Singapore for 10 years.

Ms Anne Downer, the head franchisee in Singapore, has issued a writ against Body Shop in London claiming damages after Body Shop instituted proceedings in Singa-pore. Body Shop claims his Downer's right to operate the Body Shop business in Singa-pore, and in Brunel, Indonesia, Malaysia, the Philippines. Thailand and Taiwan, has

Body Shop said yesterday that it disputed all of the Downer's claims: One analysi said that Singapore was insig-

nificant in group terms.

The dispute schoes an spi-sode concluded in July last year when Body Shop won back control of six of its UKshops operated by Ms Panitne Rawle, a franchisee.

In its international operations, Body Shop has in recent years been pursuing a policy of moving to have each country's franchise operated locally rather than grouping countries together.

Ashtead rights to raise £20.4m

currently has 57 outlets, or

"profit centres", and Mr Lewis estimates it needs 130 for full

national coverage.
Some 24m of the rights

By Peter Pearse . .

machinery hire group, has announced a rights issue to raise £20.4m to firmd expansion. Mr Peter Lewis, chairman, explained that the board had seen a "window of opportunity. The recession has shaken the plant hire sector to hits" and, as a result, "there is no short-age of businesses to buy". With the bulk of the money raised. he foresaw "a series of acquisitions" in the UK. The group

ASHTEAD, the plant and

had waited until now, he said when vendors were becoming more realistic about the value

CAPITAL House Investment

Management, a division of

Royal Bank of Scotland, said it had acquired Brown Shipley Unit Trust Managers, which has film in assets, Capital House has also

acquired £100m of Brown Ship-

ley's institutional funds, bring-ing its total of funds under

management to just under

25bn. Terms of the acquisition

The acquisitions are part of

were not disclosed..

money has been earmarked to broaden the group's Sunbelt Rentals operations in the south-eastern states of the US.

So far, expanding Sunbelt to six profit centres had been cantious, Mr Lewis said, but the business had now reached crit-ical mass. Ashteed planned to double the six to 12 by April About £500,000 of the cash

raised will go towards the opening of an office of Ashtead Technology, the offshore ser-A-Plant, the core business, vices arm, in Singapore, to ip on the day.

Capital House's strategy of

growing through acquisition. Rarlier this year it acquired

the fund management busi-

nesses of two UK life insurance

Capital House will retain three of Brown Shipley's unit trust staff, including its two

leading fund managers, Mr

Christopher Bomford and Mr

John Cornes. The company said that in line with the

recent trend in the unit trust

industry, it would merge some

of Brown Shipley's existing unit trusts into its own funds.

complement the operations in Aberdeen and Dubai.

Ashtead said that trading conditions had improved in the current year. In the five months to September, turnover rose by 34 per cent, mostly through volume growth. The group is highly operationally geared, so profits should respond sharply. A BZW research note has lifted the profits forecast for the current year from £4.5m to £5.2m. Last time profits were £2.76m.

The rights is on a 1-for-3 basis at a price of 280p per new ordinary. It is underwritten by Barclays de Zoete Wedd.

GPG halts

Power offer Guinness Peat Group, the UK

investment vehicle for Sir Ron Brierley, the New Zealand entrepreneur, is not proceeding with its \$17.32m (£7.3m) offer for Power Brewing Company of Amtralia.

It had intended to make an offer at 44 cents a share for 50 per cent of each member's fully paid ordinary PBC shares However, GPG decided against it since PBC has proposed to adopt initiatives suggested by GPG to end PBC's joint venture with Queensland Breweries and the return of resulting cash to PBC shareholders.

Ferranti asks banks for further £7m funds

FERRANTI, the troubled defence electronics group, has asked its banks to provide an additional £7m in funds while it seeks to persuade shareholders to accept GEC's 1p-a-share bid.

Mr Eugene Anderson, Ferranti's chairman, said yester-day he was optimistic that the banks would respond positively to Ferranti's request "by the end of this week." The group made a presentation to the hanks on Monday.

He added that the need to seek additional bank funds highlighted the seriousness of Ferranti's position and reiter-ated that the only alternative to GEC's bid, however unpopular, was receivership.

Nevertheless, Mr Anderson acknowledged that the recommended GEC offer faced a number of significant "hurdles," not least the opposition of some individual shareholders. About 10 per cent of Ferranti's outstanding equity is held by some 40,000 investors

Many individual shareholders have reacted angrily to the token offer by GEC which promises them just 210m while at least £110m will go to the banks. They have commissioned Katz Associates, a City investment consultancy, to explore alternatives to the GEC hid.

GEC has made it clear that it is seeking the acceptance of at least 90 per cent of all clas-ses of shareholders for the bid. Ferranti has a particularly complicated share structure, and this requirement is acknowledged to be a significant obstacle by Perranti. But one Mr Anderson maintains must nevertheless be over-

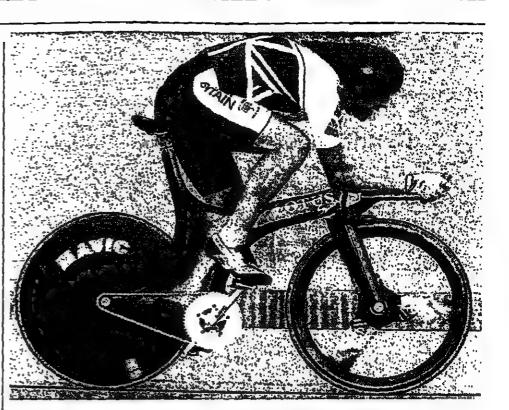
Mr John Katz, who heads Katz Associates, met Mr Anderson on Monday to convey shareholders' concerns about the terms of the bid. Mr Anderson in turn emphasised that there was no alternative bidder for the group, and that the GEC after was nothing."

Mr Katz said after the most ing that he had not been "paci-fied." However, Mr Anderson said Perranti planned to try and persuade shareholders to back the GEC bid through a communications offensive which would probably be launched over the weekend.

Hanson expands housebuilding arm

Hanson has, through its Beazer Homes subsidiary, bought the housebuilding divi-sion of the Walker Group for £28,2m.

Beazer, Scotland's seco largest housebuilder, has acquired Walker Homes (Scotland). Torwood Homes and Pianacie Developments.



Casket shrugs off slow start from Lotus-branded cycles

ROAD-GOING versions of the high technology Lotus bicycle on which Chris Boardman won an Olympic gold medal last year are not yet in the shops to the disappointment of Casket, the UK company which bought the LotuSport brand

However, interim pre-tax profits jumped 20.3 per cent to £2.13m, helped by FRS 3 which meant the company restated the comparative figure at £1.77m to include one-off costs amounting to £167,000 relating to reorganisation and

Sales climbed from 250.1m to 251.8m for the six months to September 30. The board declared an interim dividend of 1.4p (0.3p) out of earnings per share of 1.89p

Mr Joe Smith, chief executive, said the six Lotus-branded conventional cycles that the company launched in the summer "had got off to a slower start than expected".

He said: "We had anticipated bringing them out with the road-going version of the Chris Boardman Olympic bike. Sales of the conventional bikes were always planned to revolve around them. He said Lotus had had a "certain amount of

roblems in making a sensible road bike". Cas-

ket will assemble the top of the range cycles from components designed by Lotus Engineering: "Lotus Engineering wanted a perfect design before it went to the market," Mr Smith

The setback would not hit results since the premium products had expected to give low

The cycles division as a whole, which includes names such as Townsend, Falcon and British Eagle, returned operating profits ahead at 22.58m (£2.45m) for the six months to September 30 on sales ahead at £28.6m (£27.4m). This year the company expects to assemble

about 60 per cent of its units in the UK against 37 per cent in the comparative period. Casket said imported bikes were now subject to EC duties totalling about 50 per cent, includ-

ing an anti-dumping levy, while components attracted much lower rates. The clothing division returned reduced operating profits of 2273,000 (2336,000) on sales up at 223.3m (£22.7m) as market conditions remained

difficult Gearing fell to 78 per cent (91 per cent) at the half-way stage as net assets increased to 214.9m (£13.1m) and borrowings fell slightly to £11.6m (£11.9m). Interest cover rose to 3.9 times (3.1

Abacus for market with £41m tag

ABACUS GROUP, a franchised notional gross dividend yield of distributor of electronics comconents, is coming to the market via a placing of shares valuing the company at

A total of 10.71m shares, 37 per cent of its enlarged capital, have been placed at 140p by NatWest Markets. The price

†On increased capital, §USM stock.

Amber Day . Casket

anabury Gth Tat....

3.1 per cent for the year ended September. The flotation has raised a net 23.1m of new money which will be used to repay a majority of

represents a p/e of 18.9 and a

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DIVIDENDS ARROUNCED

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Abacus' debt. The company, which holds 25 distribution franchises from manufacturers such as 3M and

Total for

year

1.0

2.9

Total last year

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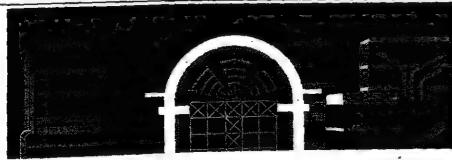
reported pre-tax profits of 22.98m (£1.76m) for the year ended September and earnings per share of 7.4p (4.3p) turnover of 230.9m OL

Abacus was the subject of a £3.4m management buy-out led by Mr Brian Murdoch, its current managing director, and three colleagues in 1989.

Finsbury Growth Tst

Net esset value per ordinary share of Finsbury Growth Trust improved from 85.6p to 112.9p over the 12 months ended September 30. Net revenue fell to £1.37m

(£1.41m), equal to earnings of 2.94p (3.14p). The 2p final maintains the total at 2.9p.



The prospectus for the CLM Insurance Fund is at the share shop.

OPENS TODAY - 10.00a.m. and daily 8.30a.m. to 5.00p.m. until 11th November.

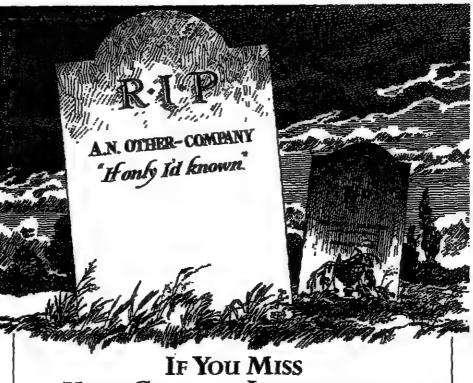
Concourse Entrance, Lloyd's, One Lime Street, London EC3M 7HA.

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Amber Day reduces deficit to £2.09m

By Peter Pearse

MR PETER CARR, chairman of Amber Day Holdings for just seven weeks, said he believed that the decks had been cleared in the results for the year to July 31.

Pre-tax losses were reduced to £2.09m (£7.75m), despite exceptional costs totalling

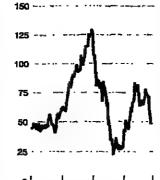
The exceptionals represented the costs of the withdrawal from non-core businesses and the settlement of contractual obligations to Mr Philip Green, the ex-chairman and chief executive who resigned in September 1992, and Mr Stacey Ellis, who resigned as non-executive chairman this August.

The discount retailer has been dogged, Mr Carr said, by its past reputation, and the job of the new management team - which includes Mr Keith Paskins, finance director - was to "change shareholders' for-tunes". However, there has been a "significant" cut in the final dividend from 2p to 0.25p making a total of 1.35p (3.1p) for the year.

The group has now stripped down to the What Everyone Wants retail chain which at July 31 was 52-strong but now numbers 56. Two more will open this month and a further six are planned for spring 1994. Mr Carr said the business plan he and Mr Paskins had

drawn up showed that discount stores were the fastest growing retailing sector - at about 10 per cent a year.

WEW's market share had been broadened by the recesAmber Day Holdings



92

1990 91

forced to hunt for bargains. Its operating profits in the year rose from £10.1m (expanded by £1m one-off profit) to £10.3m. Group turnover grew to £106.1m (£96.5m) with £1.53m from discontinued operations the imports and distribution division and the mens wear side. The former accounted for trading losses of £2.37m and closure costs of £3.21m. The latter, sold in 1991, accounted for a further £3.32m of exceptional costs, and Mr Green and Mr Ellis were paid £1.13m and

£500.000 respectively. Group operating losses before interest shrank to £1.35m (£6.91m) and the retained loss for the period came to £4.74m (£13m). Losses per share emerged at 2.72p (7.61p), though on continuing operations earnings would

J Smith ahead to £0.78m

HELPED by lower interest interim dividend is increased charges of £237,000, against £368,000, pre-tax profits of James Smith Estates, the USM-quoted property investment concern, improved from £689,000 to £775,000 for the six

months ended September 24. After tax of £256,000 (£229,000) earnings per share were 3.37p (2.99p) while the

By Pınıl Checustighi,

Midlanda Correspondent

SWITHLAND, the Midlands car

retailer, is seeking a Stock

Exchange listing through a

share placing which will give

the group a market value of

The placing involves 18.5m

shares, about 70 per cent of the

issued equity, at a price of 81p each. Of this, 12.34m will be

new shares, the sale of which

The balance of 6.1m shares is

owned either by NatWest Ven-

tures. Swithland's venture cap-

ital backer for the past two years, or Mr John Hayes, the

group's founder and chief exec-

utive, and members of his fam-

Ionian Corporate Finance is

will raise £9.05m net.

to 1.55p (1.4p). The directors pointed out

Swithland seeks SE listing

Allday Lea & Brooks.

issue will be cancelled.

per cent.

that gross rental income was affected by the incidence of a small number of voids and fell slightly from 21.18m to £1.16m. However, they believed that full-year results would show a resumption of rental income

sponsoring the placing, for

which the broker is Harris

Trading in the shares will

start on November 15, provided

buyers have been found for the

issue of new shares. If not, the

sold, the Hayes family's holding in Swithland will be 29.96

The share placing represents

Of the £9.05m raised, £0.5m

both re-financing of the group

and clearance of the decks for

will be used to redeem prefer-

ence shares held by NatWest

Ventures, £322,000 to buy from

Mr Hayes a piece of land over

which the group has an option

and about 28m to retire debt,

reducing gearing from 240 per

Tunstall forecasts 21% growth to £6.4m

AN INCREASE of 21 per cent in pre-tax profits to £6.4m and a 1p lift in the dividend for the year ended September 30 1993 was yesterday forecast by Mr Michael Dawson, chairman of Tunstall Group, the Yorkshire-based supplier of emergency and security systems, as it announced big expansion

The shares closed 20p higher

The forecasts corresponded with the announcement of the formation of Mion Electronics, a wholly owned subsidiary, to take over the existing contract design and manufacturing

Mr Dawson said the expansion of this division follows a year of significant growth and a continuing strong order book by Tunstall Electronics. Mion intends to build a 6,600 sq m factory near Barnsley, South Yorkshire.

Total capital expenditure over the next four years on land, buildings and new equipment would be about £11m with a further £1.5m required for working capital. It was anticipated that over 400 jobs would be created within two

The funding would be financed by a regional assis-tance grant of £2.5m from the Department of Trade and Industry and, subject to contract, by a five-year loan of £5m from the European Coal and Steel Community.

Mr Dawson said the contract manufacturing activity had the potential "to produce significant profit growth" for the втопр.

Tunstali's estimated 1992-98 results for contract manufacture shows turnover of £3.6m (1991-92 actual £400,000), percentage gross margins of 30 (23) and profits before interest of £500,000 (nil).

Pre-tax profits would total £6.4m (£5.3m), sales £44.5m (240.5m) and earnings per share 26.4p (21.6p). Cash balances were expected

to stand at £6.4m (£4.3m). The directors would propose

The balance of the funds will

be kept in reserve for expansion. "Over the next three

years we're looking to acquire

another 10 retail operations, all

within the Central TV area".

centres in the Midlands; it spe-

cialises in selling nearly new

and used cars and, to 85 per

cent of its customers, provid-

Expansion will take place

against the background of con-

centration in car retailing.

"Groups have been getting big-

ger over the past two and a half years. Over the next five

to seven years, about 20 groups

will emerge which will domi-nate the industry," Mr Hayes

said Mr Hayes.

ing related finance.

a final dividend of 4.5p (3.75p) making a total of 7p

Tarmac's recuperation at a critical point

Andrew Taylor on the troubled construction group's progress on the road to profit

Tarmac, the lossmaking construction and building materials group, has reached a crucial point.

The announcement on Monday of plans to float off its Ruberoid roofing materials subsidiary marks the end of a period of surgery during which Mr Neville Simms, Tarmac's chief executive, will have raised almost £300m by disposing of unwanted businesses.

The next step will be to see how Tarmac's remaining interests perform as the construction market, particularly housebuilding in the UK,

begins to improve. The group has savagely reduced costs and made substantial write-downs as it has fought to regain financial health. Net borrowings at the end of last year - including Tarmac's share of off-balance sheet finance of £100m and £99.3m of auction market preferred stock - stood at £677m.

equivalent to 73 per cent of shareholders funds of £924m. This is expected to fall to about £260m, compared with increased shareholders' funds of £1.05bn, should Ruberoid raise £70m as expected, and following Tarmac's £215m rights

To continue the medical metaphor: the patient is recovered enough to get out of bed but it remains to be seen if he will ever run again.

Tarmac's rise and fall has

THE RECUPERATION of and 1988 its annual pre-tax profits rose from £26.5m to £393m. Last year, after write-downs, it made a pre-tax loss of

> The key to Tarmac's future will be the strength of its housebuilding operations, says Mr Mark Stockdale, construction analyst for SG Warburg

He estimates that capital employed by Tarmac in house-building has fallen from a peak of £750m at the end of 1988 to about £250m now. Overhead costs in the housing division have fallen from more than £70m annually to an estimated £50m this year.

Tarmac is already beginning to reap the benefit from this improved efficiency.

Net margins on house sales are thought to be about 8 per cent this year compared with a low of 2.5 per cent in the first six months of 1992. Annual output of homes, however, has fallen from a

neak of 12 000 in the late 1980s to an estimated 7,500 this year. This total is expected to rise again as the housing market continues its recent recovery, Tarmac will therefore need to use its renewed financial strength to replace its stock of housing land. Elsewhere prospects look

less bright. Tarmac's strategy is to concentrate on the three core busi-nesses of housebuilding, construction and quarry products.

Share price relative to the Contracting and Construction index Pre-tack profits 400 -

prospects for improvement. with little recovery expected in construction output outside of

housebuilding. Competition for work could become even more intense if the government cuts road building and other large scale infrastructure projects in its unified budget later this

Cuts in public sector transport and housing investment might also have a detrimental effect on attempts by the big quarry companies - Tarmac, Redland and RMC - to force through higher prices.

A cause of the group's col-lapse was its failure to recognise the intensity and duration

197879 BD E1 82 83 84 85 86 87 86 89 90 91 92 93 This meant that management was slow to rein back housing land purchases and investment in commercia property development when property values fell sharply.

Tarmac has now announced

a complete withdrawal from

commercial property develop-It has also sold a large part of its Econowaste waste disposal operations along with other peripheral businesses some of them expensively acquired in the mid to late

Still to be decided is the future of two other businesses described by Mr Simms as "non-core".

By Peter Franklin

These are the building mate-

THE SALE of its lossmaking

timber businesses coupled with a reduction in interest costs

helped Rexmore, the contract

a deficit of £143,000 last time

and losses of £1.36m at the pre-

vious year end. Turnover for

the 26 weeks amounted to

£15.5m against £20.1m - includ-

ing 25.25m from discontinued

operations. Comparisons have

been adjusted to conform with

Interest payments for the

interim period were cut from

months to October 2.

tures bricks and concrete blocks, and the US aggregates and concrete operations in Pio-rids and the Carolinas.

The recent decision by Tarmac to swap its clay tile operations for the brick making interests of rival building materials group Marley is seen by some as a prelude to a sale Tarmac of the entire enlarged brick business.

it may, however, decide to keep, or even axpand, its US interests, given the recent improvement in the outlook for the US economy.

Warburg is forecasting another pre-tax loss of up to szom for this year after further goodwill write-offs, mainly against Ruberold which was acquired for £141.3m in 1988. The investment bank, however, is forecasting a return to profits of 295m for Tarmac next year, rising to £150m in

Tarmac's share price since sterling left the European exchange rate mechanism last September has more than donbled from 61p to 135p, matching a similar rise in the FT-Actuaries construction and contracting share index.

The market appears pleased with progress so far but awaits evidence that the company, having got this far, can produce good returns from its

To switch from a medical to a legal metaphor: the jury is

recovery to £688.000

Rexmore stages strong

B Elliott calls for £5.4m and acquires dies maker

B ELLIOTT, the electrical and mechanical engineer, is acquiring Deeming Taylor, the spe-cialist dies and tooling products manufacturer, for a maximum 2771,500 in cash.

Partly to fund the acquisition the company is calling for \$5.4m net through a 1-for-3 rights issue of 9.1m new ordinary shares at 63p each. Yesterday the shares closed 3p up at 75p. The issue, which is fully underwritten by Bee-

son Gregory, is also offered on the basis of one ordinary share for every 2.13, 7.5 per cent preference shares. B Elliott has also announced a turnround

from restated losses of £764,000 to pre-tax profits of £1.26m for the six months to October 31. Turnover amounted to £40.7m against £45.8m last time which included £10.8m from discontinued operations. Operating profits from continuing operations improved to £1.97m (£1.5m). Earnings per share worked through at 3.42p against losses of 57.44p last time. There is again

Mr Somerset Gibbs, chairman, said the company had made excellent progress since com-pleting the refinancing at the end of 1992, when 24.6m new shares were issued.

As part of its restructuring programme the group's machine tool businesses had either been closed or divested and that process had concluded with the sale of the assets and under taking of Butler Machine Tool in February

The continuing businesses were performing to plan and proceeds from the rights issue would also be used to fund the retention of the Philidas and Newall businesses, Mr Gibbs said. For the year to October 31 1992 Deeming Tay-

lor schieved gross profits of £353,000 on sales of £853,000. The net book value of the trading assets, plant and equipment being acquired is expected to be a minimum £394,000, including some 200,000 cash.

£322,600 to £177,000. Further reductions in bor-

is received, said Mr Michael Rosenblatt, chairman. Ail operations performed furnishings group, to achieve a strong recovery with a pre-tax profit of £688,000 for the six well and indications were that the improvement would be maintained, he said. The outcome compared with The interim is raised by 48

rowings and interest costs will

materialise from operating

profits and as the deferred con-

sideration due from disposals

per cent from 0.7p to 1p, payable from earnings of 4.440 per share (0.83p losses). The shares closed lip up at Mr Rosenblett, who founded

the company almost 50 years ago, is to step down as chair-men but will continue to serve as a non-executive director. Mr Michael Rosenblatt will

become chabreau and Mr Norman Rosen, mensging director.

NEWS DIGEST

Celsis Intl £561,000 in the red

CELSIS International, the specialist in rapid microbial testing which came to the market in a £12.4m flotation in July, reported a pre-tax loss of 2561,000 for the six months to

and-September. That compared with a deficit of £460,000 and was struck on turnover up from £67,000 to

£79,000. Losses per share were 1.05p (1.03p). interest income

amounted to £185,000 against a £16,000 charge last time. Cash on deposit at the and of October was £12.2m.

Trafalgar House in bond purchase deal

Trafalgar House has entered into option arrangements with Swiss Bank Corporation under which it may acquire £39m nominal of 10% per cent bonds due in December 1993 or Febru-

The company may be obliged. to purchase the bonds in Februsry 1994. It expects to use part of the proceeds of a proposed rights issue to discharge result of the arrangeme Should Trafalgar House acquire the bonds it will retire them, leaving a nominal £61m

any obligation arising as a

BDA improves to £28,000

In spite of continuing difficult trading conditions BDA Holdings, the architect, consultant and property developer. achieved a rise in pre-tax profits from 28,000 to 228,000 for the half year to end-July. Turnover amounted to

£1.03m (£733,000) and earnings

emerged at 0.15p (0.03p).

2. The ECU 1,000 million of Bills to be issued by tender will be dated 11 November 1993 and will be to the following maturities:

directly to the Bank of England.

ECU 200 million for maturity on 16 December 1993 ECU 500 million for maturity on 10 February 1994. ECU 300 million for maturity on 13 May 1994 3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle

TENDER NOTICE

UK GOVERNMENT

ECU TREASURY BILLS

1. The Bank of England announces the Issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 November 1993, An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England

Street, London not later than 10.30 a.m., London time, on Tuesday, 9 November 1993. Payment for Bills allotted will be due on Thursday, 11 November 1993. 4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESO, Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 11 November 1993, provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Pic, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 10,000,000 nominal.

Her Majesty's Treasury reserve the right to reject any or part of any tender.

B. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Har Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that information Memorandum (as supplemented). supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 13 May 1994. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

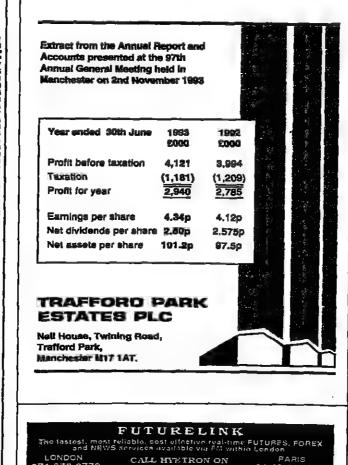
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FINANCIAL TIMES





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Semi-Tech (Global) Company Limited

announces the completion of the sale of its 51% interest in

The Singer Company N.V.

International Semi-Tech Microelectronics Inc.

for

HK\$6,613,685,910

Advisors to the Company



SOMERLEY LIMITED



BT ASIA LIMITED
A member of the Bankers Trust Group

Advisor to the independent shareholders

of the Company

STANDARD CHARTERED ASIA LIMITED



August 1993

This advertisement appears as a matter of record only



International Semi-Tech Microelectronics Inc.

has completed the purchase of 51% of

The Singer Company N.V.

from

Semi-Tech (Global) Company Limited

for

US\$847,908,450 funded by

US\$654,193,000 Senior Secured Discount Notes due 2003

and

C\$795,000,000 42,400,000 Class A Subordinated-Voting Shares (underwritten and sold)

August 1993



Strong

000.

This is neither an offer to sell nor a solicitation of an offer to buy these securities,

The offer is made only by the Prospectus.



US\$654,193,000

International Semi-Tech Microelectronics Inc.

Senior Secured Discount Notes due 2003

Price 45.858%

Copies of the Prospectus may be obtained in any State from the undersigned in compliance with the securities laws of such State.

Kidder, Peabody & Co.
Incorporated

August 1993

This announcement appears as a matter of record only

Secondary Offering



C\$795,000,000

International Semi-Tech Microelectronics Inc.

42,400,000 Class A Subordinate-Voting Shares (Sold on an instalment basis)

Price: C\$18.75 per share of which C\$7.50 is payable on closing

RBC Dominion Securities Inc.

First Marathon Securities Limited

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Gordon Capital Corporation Nesbitt Thomson Inc.

Burns Fry Limited

Wood Gundy Inc.

Richardson Greenshields of Canada Limited

Midland Walwyn Capital Inc.

Toronto Dominion Securities Inc.

Levesque Beaubien Geoffrion Inc.

August 1993

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Attacks

on Agip

halt oil

output

AGIP'S Nigerian oil operation

has lost more than 270,000 harrels of production since October 22, when attacks by

local communities forced the company to close its Ohama and Clough Creek flow sta-

from mishandling of compen-sation (or the local communi-

ties by a development commis-

sion set up by the Nigerian

government. The company has asked the oil minister, Mr Don

Etiebet, to take action over this and other disputes in Riv-

ers state, Nigeria's main oil-

producing region.
"We need to make the gov-

ernment aware," a company

of the iocal communities'

demands for compensation

"bear on revenue allocation

yet the commission has no pro-

Agip operates five oil fields in the Niger delta, producing on average 150,000 barrels a day. It owns 20 per cent of the

venture, along with the Nigerian National Petroleum Corpo-

ration (60 per cent) and Philips Petroleum, and plans to open a new 20,000 b/d field

The trouble at Obama

started when the development

commission awarded money

from Agip, which was intended for the chief of the

community, to a former offi-

cial of the government. The

money was to compensate for

pollution of the water through

Although Agip provided water and electricity for the

area, villagers loyal to the chief marched on the flow sta-

tion, forcing Agip to close it with the loss of 205,000 barrels

by Monday. When a negotia-tion team arrived by belicop-

ter, the pilot was attacked and

dredging the local swamp.

amme which is binding

kesman said. He said some

Zinc producers plan smelter closures

EUROPEAN ZINC producers decided yesterday to press ahead rapidly with a scheme to eliminate substantial over-capacity by the permanent clo-The cost of the so-called "shutdown" scheme would be paid for by the rest of the industry.

An independent assessor has been taking soundings during confidential discussions with industry representatives for the past three months, and his report, presented to senior executives yesterday, showed that the scheme was feasible and that there were a number of smelters willing to be con-sidered for closure.

This is a very serious project now," one industry execu-tive said after the meeting in now work on the difficult details - how much capacity

would cost and how the rest of the industry would contribute towards the cost.

They must also get European Commission approval, but this should not prove difficult the go-ahead to a similar scheme in 1982. That scheme came to nothing because prices

+12,875 to 5,872,125 +1,860 to 293,300 +2,860 to 293,300 -228 to 118,968 +4,250 to 832,600 -140 to 50,473

rose, easing pressure for cuts. However, last year Union Minière, on its own account. closed its zinc smelter at Overpelt, Belglum, and with it 100,000 tonnes of capacity. Some zinc traders hoped to hear something more dramatic from the European producers yesterday so, after touching \$961 a tonne at one stage, zinc

and container dispatches, and

by 4,922 for smaller deliveries.

cargoes, 20 per cent value added tax will be maintained

for all goods, the telegram said.

fees will also apply to imports,

including metal ores and con-

centrates brought to Russia for

tolling - refining the metal in

Russia and selling it to export

Many companies complain

Trade sources say there have

been rumours of a further rise

One official source said there

would probably not be any

increases, at least until Decem-

in freight tariffs by 15 or 30 per

cent this month.

high rail tariffs, taxes and

other costs are making trade unprofitable.

It was not clear if the new

With the exception of export

eased back to close last nigh at \$951, up \$2.50 a tonne.

"The market was holding its breath and anticipating some talks," said Mr Angus Mac-Milian, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell

He said a fundamental refined zinc supply surplus, likely to be about 420,000 tonnes this year, was putting severe pressure on prices, which reached a six-year low of \$927 a tonne in July. The clo-sure of only one smelter might not be enough to bring the market back into balance.

While European producers seem unified over the shutdown scheme, they are split over whether to restrict imports from the Commonwealth of Independent States. which are adding to the industry's severe difficulties.

Cocoa and coffee lift LCE trade

COCOA and coffee futures and options had another active month on the London Commodity Exchange last month, lifting trading volumes 30 per cent compared with a year ago.

The cocoa futures market, where average daily turnover was 8,226 lots, up 51 per cent on October 1992. Open interest - the number of contracts not liquidated - was up 74 per cent at 149,589 lots.

Total ontions turnover rose 83 per cent, with particular interest in cocoa options, up 187 per cent, and robusta coffee options (69 per cent), though trading in robusta futures was down 20 per cent on a year ago.

badly injured. The dispute at Clough Creek is also over demands from Volumes overall were 24 per rival communities. When Agip cent down on September. built a school for the local village another community MINOR METALS PRICES demanded a health centre. The threat to oil workers led to a loss of production of about 73,000 barrels last week.

Police were handling the dispute yesterday and Agip expected to resume operations vithin 24 hours.

However, the company said there had been "some agita-tion" at the Tebibada flow station, but no loss of production. There had also been "numerous problems" at the Obrikom-Obiafu gas re-injection plant.

OFF. Grade A G out to

1622.5-3.5

Nigeria's burden of proof

Arrests have been made but the state oil business has still to satisfy the industry that its reforms are working, writes Paul Adams

HE interim govern-ment's purge of the Nigerian National Petroleum Corporation (NNPC) has stopped some of the racketeering that became rife during former president Ibrahim Bahangida's regime - but it will take more than a few arrests to con-vince the oil industry that a reform of the public sector oil business is under way.

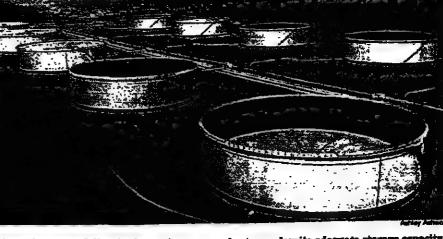
After the discovery of unauthorised payments to store fuel in tankers offshore, NNPC's managing director, Mr Edmund Daukoru, finance director Mr O. Okwara, and company secretary Dr Heneni Briggs were arrested last month. Mr Daukoru, Mr Okwara and five other senior officials were formally charged yesterday with stealing \$41m. About 20 senior officials in

NNPC have been suspended.

The plan to charter two very large vessels for storing about 1m tonnes of fuel through Lenoil, an independent oil and marketing company, was approved by Mr Chu Okongwu, who was oil minister in 1992. Although each ship was costing Nigeria an estimated \$49,000 a day, the so-called strategic reserve never supplied

Nigeria has adequate storage capacity on shore but its fuel shortages stem from largescale smuggling, and crumb-ling refineries and distribution systems run by subsidiaries of NNPC.

Mr Philip Asiodu, who became oil minister in January this year, rejected the chartering scheme and ordered instead the purchase of smaller tankers secondhand, also through Lenoil, Although Mr Asiodu blocked a demand by Lenoil for \$62m, it is alleged that most of the payment went through shortly after he left office in August, leading to the arrest of the NNPC directors. Mr Len Adesanya, managing director of Lenoil, was also arrested. Mr Adesanya was to



Crumbling refineries and distribution systems cause shortages, despite adequate storage capacity

lowing the takeover of Texaco Nigeria in July. The deal was opposed by the minority Niger-ian shareholders, who allege that the buyer, TNP Holdings, registered in the British Virgin Islands, was funded indirectly by the military regime. The takeover is under investigation by Nigeria's Securities and ange Commission.

Industry analysts say that close links between Mr Adesanya's operations and Mr Babangida's military regime went right to the top and that Lenoil was one of the two main operators in the smuggling of about 100,000 barrels a day of fuel. Since Mr Don Etiebet took over as petroleum minister in

late August, the boards of NNPC and its refining and marketing subsidiaries have been dissolved, and the axe has fallen on several other deals agreed by his predecessor. Mr Etiebet has cancelled all the crude oil lifting contracts signed by Mr Asiodu. Mr Etiebet said the contracts were to be renegotiated because "people are hawking crude exact number of people who are lifting and whether they comply with our objectives". Mr Rtiebet has invited new applications to buy Nigerian crude oil from companies established internationally as traders or refiners of oil products or which are investing in upstream exploration in Nigeria. The minister has also invited tenders to supply fuel from internationally recog-

The minister has cencelled 16 oil exploration licences awarded by Mr Asiodu to indigenous prospecting companies. According to industry sources, the approvals were rushed through without the normal procedures and many of the licencess do not have the technology or resources to carry out exploration.

nised companies.

NNPC's acting managing director is reviewing the sale of an extra 5 per cent stake in an oil production venture to one of its equity partners, Eff Aquitaine, for around \$520m. The joint venture is operated by Shell and produces half of Nigeria's L8m b/d oil output.

July's sale to Elf broke the 40 per cent limit on foreign ownership in oil joint ventures. The private sector in Nigeria and international creditors would like to see the shake-up in NNPC go further. Recom mendations by an economic conference chaired by Mr Ernest Shonekan in February, which included a reduction in

state control of the oil and gas

industry, have been not been in a follow-up to that confersace today the private sector will press for the measures to be passed in the January bud-get. The budget monitoring committee set up by Mr Shonekan to review government spending under the Bahangida regime has submitted the report. The document is highly critical of dedication accounts that diverted about 110,000 bar-reis of oil from central revenue

into offshore accounts. Mr Shonskan has made transperency in government revenue one of his government's main target, but he has yet to show that he can bring

Russian freight tariffs up 50%

RUSSIA has raised rail freight tariffs by 50 per cent for oil, metals, coal and other goods transported within the Commonwealth of Independent States (CIS) but export cargoes will not have to pay the higher fees, reports Reuter from

A ministry telegram obtained yesterday said the state pricing committee decided on October 20 to raise tariffs within the CIS (including Georgia and Azerbaijan).

But the increase did not apply to cargoes destined for export to non-CIS markets "through Russian railway stations located near ports or state frontiers". The telegram, dated October

19, said freight charges would be based on tariffs set in 1989 multiplied by 2.463 for wagon

week's in brackets). ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,560-1,625 BISMUTH: European free

Prices from Metal Bulletin (last

per ib, tonne lots in warehouse, 2.30-2.50 (same). CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.38-0.42.

market, min. 99.99 per cent. \$

COBALT: MB free market, 99.8 per cent, \$ per lb, in warehouse, 11.40-12.00 (11.55-12.10); 99.3 per cent, \$ per lb, in ware-

house, 10.65-11.10 (10.65-11.20). MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 90-108 (95-110).

MOLYBDENUM: European free market, drummed molybdic oxide, \$ per lb Mo, in warehouse, 2.55-2.65 (same).

SELENIUM: European free market, min 99.5 per cent, \$ per lb. in Warehouse, 4,45-5,25. TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO₃, cif, 27-39 (27-37).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₁, clf. 1.30-1.45 (same). URANTUM: Nuexco exchange value, \$ per lb. U2O. 6.90

No.7 MAW SUGAR - LCE

10.65 10.84

Close

COCOA - LCE

10.86 10.96

930 920 986 964 971 980

\$10/Index po

Ertonne

Turnover 195 #88 fels of 50 tennes.

Nymex energy futures system in London

ACCESS, the electronic system for dealing energy futures developed by the New York Mercantile Exchange, will go

live in London tomorrow. There are already 100 Access screens in the US, but the 10 screens in London will be the first outside Nymex's domestic market. Nymex officials said 70 traders in London had been trained to use the screens.

which operate outside normal

Nymer trading hours. The next stage is to install screens in the Far East. Average daily volume on Access reached 2,000 contracts

in October, ahead of targets. According to dealers, the success of the system is partly due to the global nature of the oil market. Oil futures can used by oil producers, and companies which need to buy large quantities of oil, to hedge their exposure to price

Six leading brokerage houses have taken screens, which will give access to a pool of around 100-150 accounts each, a Nymex official said. One of the London screens has been taken by Mobil, reflecting interest among commercial companies, as well as brokers.

HEATING OR, 42,000 US gails, parts/US gails.

Dealers said the arrival of Access screens was likely to boost volume on London's International Patroleum Exchange, since it will allow dealers to trade the spread

Chicage

Intermediate) contracts during the whole of the London trading day. Currently, traders can-not do this until Nymex opens at 9:45 local New York time. . Chevron Corporation of the US has been awarded exploration rights for a 1,820 square kilometre bloc in the East Chinz Sea under an agreement signed at the weekend with the China National Offshore Oil Corporation.

WAY OF

Nymex's WII (West Texas

MARKET REPORT

News that OPEC cut crude Oil. output in October failed to drive prices higher yesterday. London December futures for the world benchmark Brent Blend crude briefly fell below \$15.90 per barrel, down 30 cents from Monday when the market tried a raily. A Reuter monthly survey of industry estimates put October production by OPEC (Organisation of the troleum Exporting Countries at 24,67m barrels daily. This was down 140,000 from the Reuter estimate for September and 450,000 lower than a year ago OPEC has curbed excess supply,

London Markets

Grude oil (per barrel FOB)(Di	ec)	+ or -
Duble	814.18-4.22	-0.12
Brent Blend (dated)	\$15,58-5,60	-0.14
Brent Bland (Dec)	\$15.90-5,92	-0.12
W.T.I (1 pm est)	\$17.02-7.064	-,145
Oll products (NWE prompt delivery per to	onne CIF	+ 07 -
Premium Gasoine	\$177-180	-2
Gas Oil	\$167-166	-1
Heavy Fuel Oil	\$62-64	
Nephtha	\$149-152	-1.5
Petroleum Argus Estimates		
Other		+ 07 -
Gold gree troy ozj#	\$361.00	-1.75
Silver (per troy och	420.0c	-3.5
Platinum (per troy oz)	\$366.75	2.60
Paladum (per troy orl	\$128.50	+0.75
Copper (US Producer)	84.5c	
Leed (US Producer)	33.50d	
Tin (Kuala Lumpur market)	12.20r	
Tin (New York)	219.5c	+1.5
Zinc (US Prime Western)	Unq	
Carrie file weight?	121.09p	+1,54*
Sheep (live weight)†	79.25p	+0.40
Pigs (live weight):	68.02p	+3.36
London daily sugar (raw)	\$265.80	-2.90
Condon daily sugar (white)	\$295.50	-0.50
Tate and Lyle export price	\$291.00	-1.50
Barley (English feed)	C105.0z	
Malas (US No. 3 yellow)	C120.5	
Wheat (US Dark Northern)	0.8812	
Rubber (Dec)♥	61.75p	+0.50
Flubber (Jari♥	41.50p	
Rubber (N.L. RSS No 1 Jul)	206 0m	
Coconut of (Philippines)§	\$425.0v	-5 Q
Pahn Oil (Molayskon)§	\$342. 5 u	+5.0
Copra (Philippines)§	\$285.0	
Soyabeans (US)	£183.5w	+0.5
Cotton "A" Index	54.35c 358p	
Wooltops (64s Super)		
C a tonne urdess otherwis c-cents/lb. r-ringgil/kg z-h -Sep/Oct w-NowDec *Lond terdam Bullion market do: *geStreep pices are now	on physical 9 se. m-Maliysij	in cente

however, demand for oil has remained stubbornly weak in a recessionary world economy and this was cited as the other reason for the decline of 20 per cent in world oil prices this year. OPEC leaders, however, believe that prices are poised to head higher. **GOLD** attempted a tentative recovery after the sharp fall, lead by silver, on Monday. But after being "fixed" at \$363 a troy ounce in the afternoon, gold closed in London last night down another \$1.75 an ounce at \$361. Silver closed another 3.5 cents down.

Cor	npiled	from Re	usters	ICCO N	ndicator pr		per tonnel. Del	
CRUDE	OH, - (PI	ŧ .	\$/berr		1 916.83 (24.47)	(4231.00) 10	day average to	P
	Laver	Frevio	s High/Low					
Date	16.93	1821	16.3D 15.87	COFFE	E - LCE			SA
jan .	16.16	16.46	16,48 16.10		Close	Promount	High/Low	
Feb	16,32	16.80	70.6): 16.00					_
Mar	18.46	16.66	16,70 16,45	Nov	1201	1193	1203 1198	
Apr	16.56	16.76	16,78 16.56	Jen	1219	1213	1221 1208	
May	16.76		16 78 16.76	Mar	1208	1201	1206 1194	
han	16.87		17.00 16.87	May	1198	F1963	1193 1188	
Jul .	16.90		18.50	Turnove	s: 1810 (1	935) lots of	5 10mes	
PE Inde	a 16.25	100.00		ICO Ind	leator pric	es (US cent	s per pound) fa	A
Turnover	25217 (3	7906)		Gomp. (#6.32)	daily 69.6	32 (70L11) 1	S day average	
OAS OF	L - BFE		Sitom	POTAT	OE3 - 14	-	1	în —
	Close	Previous	High/Low		Close	Previous	High/Low	
Vov	163.00	163.75	165.50 162.25	Apr	83.7	94.9	84.5 83.0	_
Dec	163.25	164,00	165.75 182.25	May	38.5	98.8	99.0 98.5	
lan	162,90	183.50	165.00 162.00	*	- 62 -05 /		-	_
100	162.00	162.75	163,50 161,25	Immon	L ST GOOD I	lats of 20 to	ALIMIE,	
Viar	161.00	161 75	182,75 160,25					
Apr.	160 00	180.50	181.75 159.75		IT - LCS		\$10/Inde	DE I
Viay AUT	158.50 158.00	158.50 158.25	158 50 160.50 158.00		Close	Personal	Hightow	_
			f 100 tornes	Nov	1353	1349	1360 1350	-
	13007 (11	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	100 15-4105	Dec	1350	1352	1360 1355	
IUGAR	VO		(Siper tonne		1.365	1355	1385 1380	
				- Apr	1373	1.365	1375	
White	Close	Previous	High/Low	_ BFI	1317	1316	1317	
iec	282.00	284.40	384.00 282.00	Tumowe	r 160 (87)			
dar	279.30	280.20	290.50 278.70		-			
dies	281.00	282.00	262.00 281 00	_				_
lug Jes	285.60 274.50	266.30 275.20	286.60 285.50 274.50	GRAM	- LCR			76
urnover	793 (864)	Paris- White	e (FFr per tormet:	Military	Close	Providud	High/Low	_
Dec. 1678	9.70 Mar 1	674.98		Nor	97.00	97.75	97,50 97.DC	_
				Jan	00.15		99.45 99.10	
				Mer	101.70	107.00	101,35 101.10	
JUTE				May	103.05		105,05 105,10	
			Dundes BTC \$405,	Nov	104.40 - 90.75		104.25 99.35	
			/D \$386: c and !	1400	. 300/3		99.30	
BWD 9		385. BWC	\$365, BTD \$355,	Barley	Close	Previous	High/Low	
				Nov	98.90	101.00	100.50 100.00	ì
2017	200			Jan	102.50	103.05	102.50	
		and shipme	nt sales amounted	Mar	104.50		104.50	
10 91 1	tonnes for	the week e	ended October 29,	May	106.60		106.15.100.00)
Agains	f 40 ton	nes in the	previous week.	Turnount	- Wheat 9	173 (21) Bart	er 121 (36)	_

3 months	1644.5	6	1624-	4	1646/162	7
Leed (5 per	tonne)					
Cash I gronths	305-7 410-0.5		394.5 408.5		396 411/409	
Mickel (\$ p				_	410 409	
Cash	4505-70)	4605	10		
3 months	4820-5		4680	6	4655/468	6
The (\$ per is						
Cash 3 morens	4744-7 4792-5		4696- 4740-		4800478	ó .
Zinc, Speci		irede	_	_		
Cash	932.5-4		231-2		942	
3 months	950-2	-	948-9		964/960	
SPOT; 1.48	10 COS (10 35		ii mort	mc 1.4	153	6
LME AH O	Melal Sil	soot	ratio 1,4	806		
(Prices supp	Med by I	NMR	enter Indonésia	kh		N
Gold Broy o		_	_	ings)/in	and)	_
Glose	200.0	0.951	26			GOL
Opening	382.0	0-302	40			
Morrang Sc Marragon B	362.5	U	- 4	44,717		Nov
Day's high	363.0	0-363.	50			Jan Feb
Day's low		0-361.		-		Apr
ا طبا مهما			iding R			Apr Jun Aug Oct
1 month 2 months		66 67	6 mon		2.88 2.88	Oct
3 months		87	12 14			Dec
Silver fix	piroy	30	L	15 cts (equiv	PLA
Spot	284,7	5		27.15		
6 months	298,6			24.50 28.05		Nov Jen
12 months	299.6			35.65		Jen Apr Jul
-						Oct
00L2 C08	-					BILLY
	\$ p			E equire		
Anugemend	364	.00-30 .60-37	7.00	242.00-	245.00	Nov
New Sovere	ign 84.5	.60°31 10-87.0		56.00-9	9.00	Jen
						Here
TRADED O	PTICUS					New Dec Jun May Jul Sep Dec Jun
Alumbdum (99.7%		2006	i	Puts	Dec
Stake price	S lame	Dec		Dec	Major	Jen Mar
1025		35	56 40	10 22	16	HECH
1050		15 7	40 26	32 36	26 39	
Copper (Gra	rde A)	_	<u>-</u>	-	Puls	Nov
1600		47	54	12	-	Dec Jan Feb Mar Apr May
1625 1650		31 20	60 56	35 35	36 49	Feb
IGGO		au	-	39	-	Acr
Coffee LCE		Jan	Mar	مجل	illai	May
1150		95	119	28	83	Jun Jul Jul Aug
1200 1250		65 40	93 73	49 77	87 117	CRU
Cospa LCE		Dec	Mar	Disc	Her	- HU
900		38	85	18	33	Dec
925		24	73	27	49	Jen Feb
950		15	90	43	CED .	140

AM	Official	Kerb ci	-	Open Interest	-							_		
0.6-1	Contract of the contract of th			sover 37,890 lots		Lebest	Previous	High/Los		SOVA	Marie E.	DOG but mire o	ents/ROTo in.	
103	n-2				Dec	62.35	53.12	53.65	52.16					
105	25-3	1051-2		249,854 lots	معك	53.00	53.74	54.10	(2790		Closs	Previous	High/Low	
		Total d	ally ter	nover 43,431 lots	Feb	53.10	51.70	63.55	88.80··	Heri	827/6	618/4	690/4	000/0
	0.5-1				Service Control	52,60	53.24	83.00	62,50 .	Jen	88740	626/4	840/0	690/0
163	6.54	1642-8		193,979 lots	Apr Mity	51.90 51.05	52.44 51.84	59.40 61.20	61.80		643/0	695/6	646/0	638/4
		Total	نا وقعاد	anover 3,090 lots	-Jan	50.80	51,24	60.85	50,80 50,70	1 day	D46/8	656/0	646/0	8404
	.5-6				Jel	51,10	81,44	51.10	50,00	3.00	650/2	942/8	652/4	644/2
400	5-10.5	406-6		24,578 lots	Aug	81.99	51.00	0	0	Aug Sep	635/6	631/4	650/6	8444
		Total	delly bu	amover 3,862 lots	200	52.85	52.04	52.65	62.65	_		-	629/0	8346
456										BOYA	MENN CH.	60,000 bet c	enterfit:	*
462	5-6	4610-6		43,799 lots	6000	A 10 1000	est/tonner				Close	Previous	High/Low	
		Total	delly is	mover 3,585 lots		Close	Previous	High/Low		Bee		-		
479		4770-80		49 007 July	Dec	1100	1112	1116	1000	Dec	23.M 23.A2	23.27 23.36	23.52 23.56	23.30
419	-		_	19,327 lols	Mer	1156	1155	1163	1145	Mar		23.49	23.72	23.40 23.51
		I COST C	any sun	nover 15,174 lots	3Am/	1105	1173	1170	1162	May	23.06	23.56	23.82	23,65
942		949-50		83,809 lots	Jul	1192	1182	1192	1181	14	23.70	23.58	23.83	23.66
-	4.0	4-1-00		OMORA MIS	Sep	1206	1206	1210	1196	Aug	. 23.65	23.40	23.70	22.58
6 mo	enther: 1.4	1678		9 months: 1,4625	Dec	1216	1218	1217	1205	Sep	23,40	23.25	23,52	23,40
					Mar	1235	1235	1230	1226	Oct .	23.07	23.05	6	
					May	1263	1253	Q	0 .	MOYA	REAN ME	LL 100 tone;	E/feut	
-		_			Jul	1267	1267	0.	6 '					17.5
een	n Y	OITE			Sep	1286	1296	0	0 ,		Gloss	Previous -	High/Law	
					COFF	ER "C" 37	500lbs; cen	caribe ·		Dec	197.6	183,4	198.2	193.9
101	00 poli	oz.; St roy o	2		_	Close	Don-do-	High/Low		Jan	107.1	183.1	197.7	105.6
	Ciose	Previous	High	Low		Cidee	Previous	HIGHYLON		Her	107.4	183.A	100.0	1941
W	382.7	101A	0	0	Dec	77LIFE	77.55	75.95	77.70	May :	197.6	19A D	198.5	194.6
C	353.6 354.5	362.1	364.7 363.5	381.0	Mar	81.45	80.15		· 80,40	Aug	195.2 197.7	194.6	196.9	198.3
n h	365.4	363.0	383.5	383.5 383.0	May	82.95	81.60	83.00	82.20	Sag	197.7	194.6	196.5	195,6
	367.1	365.6	387.5	306.0	Jul Sec	84.30	82.60	84,00	84.00	Oct	196.2	194.5	196.7	195,0
	366.9	357.4	389.2	386.4	Dec	85.70	84.40	85.50 87.50	85.50					100/10
	370.7 372.6	369.2 371.0	369.6	308.7	Min	90.35	88.85	0 20	0		2,000 01	mirt, Sentettit	p postal .	
	37%5	372.9	375.0			_					- Close	Previous	High/Low	-
ATE	UNI SD b	roy oz, \$/ko	Y 07.		BUGA	R WORLD	°11° 112,0	00 liber, cent	s/bt	Dec	100	200/6	263/0	200/4
	Goss	Previous	High	i am		Done	Previous	High/Low		Mar	269/4	268/6	270/4	268/0
_					Mar	10.44	10.40	-		- May	272/4	272/0 :		271/6
	363.0 369.6	363.0 367.8	371.0	0 356.0	Mer	10.01	10.48 10.82	10.51 10.64	10.37 10.56	Ju	273/0	272/4	274/2	-271/2
r	RP1.A	369.5	372.0		Jul	10.85	10.88	10.66	10.52	Sep	283/2	261/4	263/4	Miles
	372.4	370.5	0	0	Oct	10.85	10.80	10,62	10.62	WHEA	T 5,000 ba	mic; certain	Manager and the State of the St	,1 .
	373.9	372.0	0.	0	COLUZ	704 EC 000	lbs; centa/i							
		ay oz; cente			-			25	<u></u>		Close	Presiden	HighVLove	: •
	Close	Previous	High	Low	-	Close	Previous	High/Low		Dec	333/2	332/4	335/0	380/6
	418.2	421.5	419.5		Dec	57.56	57.17	55.30	57.11	Mar	330/4	330/0	338/0	325/4
	419.0 420.2	422.5 423.7	425.5 Q	417.0	Mar	59.48	59.04	60.35	59.95	May Jid	320/4 313/2	318/2 310/4	231/0	3) 776
	423.3	426.8	430.5		Allery	80.53	80.08	61.35	60.20	Sep	317/2	314/4	313/5	310/2
	428.3	429.8 432.8	432.5		Jul Out	81.30	90.90	81.45	61.10				317/2	5144
	429.3 432.2	435.6	435.0	428.0 D	Dec	62.25 62.50	51.85 61.84	62.60	572.30	LITTLE C	ATTLE 40,	000 lbs; cent	sfor .	
	436.0	440.1	4620		Mar	63.15	82.65	82.70 0	62.04 D		City	Previous.	High/Low	
	438.0 441.8	441.2 445.0	442.0	442.0	_					Dec.	73,450	73.875		
		OPPER 25.0	_		CHUM	Æ JUKCE	15,000 lbs;	cents/bs		Feb	74.30	74,800	74.075 74.980	73.30(.74.28)
			_			Com	Protection	High/Low		Apr	78.050	76.250	76.375	75.02
	Close	Previous	High		Nov	105.20	109.76	108.50	103.50	Jun	72878	72.976 -	73.180	72,75
	73.80 73.85	72.70 72.90	73.85	73.00 73.25	Jan	108.56	107,15	109.30	106.00	Oct -	71.475	71.675	71.900	-72.46E
	74.10	73.18	74.10 74.20	73.50	9.4mm	111.05	110.00	112.00	109.00		71.925	72.050	72.100	71.90
	74.95	73.40	78,40	73.80	Mag	712.75	111.50	112.75	112.25	TAKE H	IOGS 40,00	O it; contact		
	74.55 74.80	73.65 73.90	74.80		-Iu	114.50	113.45	0	Ð		-	Previous .		
	75.05	74.15	75.00 75.60		Nov Nov	115.50 112.80	114.15	115.50 -	114.00	-			HightLaw	
i 2	75.25 75.50	74.35	75.50	75.50	Jes	112.80	111.45	9	0 :	Dec Feb	48.725	49.225	49.360	
	75.75	74.80 74.85	75.75 Q	75.60 0	Billion:	112.80	111,45	0	ŏ	Apr	47.950	50.075 48.325	50.150	46.00
		±0 42,000 U								Jun	52,125	52.300	48.425 52.275	が海の
	and the last	Previous	High/		10001	CER.				Jul	51.200	51.450	51,450	-61.067
	17.10				REU	TERS (See	e:Septemb	× 18 1931 .	100	Aug	49.675 45.550	50.000	0	46,54
1 1	17.33	17.43 17.62	17.53 17.73			Nov 2	Nov 1	moth ago				45.900	, Q .	_45,400
1 1	17.53	17,80	17.90	17.44	_	1606.7	1610.3	1577.A	1959.4	PORK	HELLIES 4	0,000 for ce	nte/fb	2.
	17. 80 17.77	17.94 18.07	17.80 18.00		00%		Base Dec.		1001		C04	Provious	High/Low	***
y 1	17.90	10.10	17.85	17.80		Nov 1	Oct 29			Feb .	60.075	60.880		
	18.05	18.30 18.41	18.17 18.32	17.98	Spot	119.37	120.39	mrsh ago		Mar	59.825	60.300	60.750° -	*50,500
1 1	16.31	18.52	18.37	18,15 18,31		s 130.78	131,82	117,02 125,04	116.46	Miny	60.125		- 60.450 ···	36.700
	78.40	18.63	18.44							Jul	60.600	61.475	61,200	90.050
										-Aug -	69,359	60.300	61.200	- 502500
									- :	٠.				~ iby

"THE UK SERIES

FT-A ALL-SHARE

LONDON STOCK EXCHANGE

Weak close after an erratic session

By Terry Bytand, UK Stock Market Editor

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WEAKNESS in the New York bond market, quickly reflected on Wall Street, undermined equities in London yesterday and wiped out an early round of share price gains. But City confidence rallied after the official close of the market when the Bank of England Quarterly Bulletin took a more positive view of domestic inflation pros-

pects than had been feared. It was an erratic session. with the FT-SE 100 Index gaining nearly 12 points initially-after reports that Mr Kenneth Clarke, the UK chancellor of the exchequer, was winning the political battle inside the Cabinet for cuts in public spending; this would reduce the pressures for increased taxation in this month's Budget. according to City pundits.

However, the early morning Footsie reading of 3,176.2 proved to be the day's best, although a further advance was mounted later on the back of a sizeable trading programme which ranged across the market

All came to naught when the Dow, having closed at a new peak on Monday, opened 20 points down, and the London market retreated into negative

After allowing for a mild raily in the final minutes, the FT-SE 100 finished just a

Hong Kong

net 0.3 points off at 3,164.1. addered that the Benk's views data confirming growing recovery method 250 index, covon inflation provide underpinery in the US economy checked ering a broad range of second line stocks, gained 1.8 at 8,522.3, benefiting from the effects of the trading programme from a leading UK securities house.

Publication of the Bank's Quarterly Bulletin came too late for equities, but stock index futures turned higher in very late deals as traders con-

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ning for a base rate cut before the end of the year.

Although UK market strategists agreed that it was the in the Dow's fall, New York bond market that unshipped London, several believed that the logic might prove short-lived. US bonds have been leading equities ahead in New York and Europe since August. But yesterday's

TRADING VOLUME IN MAJOR STOCKS

ery in the US economy checked the US credit markets and raised fears for global equities - fears immediately reflected

However, economic recovery in the US is seen by many analysts as more significant, as well as more positive, for global stock markets than any fears over any revival of inflationary pressure in the US.

restructuring and although

there were few more details

emerging in the market vester-

day - other than the attention

of an overseas investment

group - there was talk of some

burgeoning dissent among shareholders. Under prelimi-

nery plans, existing sharehold-

ers could see their holding

diluted to 20 per cent. Stan-hope shares steadied at 36p.

standing performer in the financials area of the market

with a buyer of 750,000 shares

mainly responsible for driving

the stock up 13 to 582p. Dealers

said news of the US Supreme Court's decision to review Cal-

ifornia's unitary tax system,

which they said mitigates

against Barclays in the US, had

to 518p, after 521p, on excep-

tionally heavy turover of 7.1m

with interest stimulated by an

agency cross of 1.8m shares at

Milk products group North ern Foods gained 4 to 232p amid talk of the unwanted

attentions of a European com-

petitor. BSN, the French food

group and a frequently named

suitor on the UK food scene,

was one name being touted by

dealers. Strauss Turnbull was also said to be recommending

the stock. Northern is cur-

rently subject to a strong

two-way pull in the market between those cautious ahead

of the restructuring of the UK

milk industry and those who

to 473p, as US investors

focused on the US telecoms

West is now looking for £153m

Barclays Bank was the out-

By the close, market traders sounded more positive than the readings on market indices might have suggested. The Footsie has bounced successfully from the 3,150 area once again and trading volume continues to indicate underlying

confidence. Retail business in equities was worth £1.09bn on Monday and Seaq volume jumped by nearly 43 per cent to 664.4m

shares yesterday. On the domestic front the 0.4 per cent gain in October Mo money supply was in line with market expectations. Attention continued to focus on the prospects for the UK Budget due at the end of the month, with suggestions of changes in pension fund taxation dominating lunchtime conversions in the City of London.

Banking stocks again attracted strong support, and hints that a large international deal was pending in the tele-communications industry kept institutional dealers on the alert throughout the trading

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that it is considering a

In the face of high-profile sell notes, ICI nevertheless proved a tough customer and mustered a rally, adding 8 to 725p in reasonable volume of 3.5m. US interest was largely cred-

Wellcome began to fight back, pushing up 15 to 690p. Sentiment was boosted by a company presentation at War-

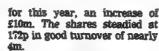
Fisons lost ground of 3 to 156p as UBS reduced its forecasts, trimming current year

expectations by £10m to £100m. MARKET REPORTERS:

Christopher Price,

Legal & General edged up 2 Other stamstos, Page 22

BUITISH FUNDS

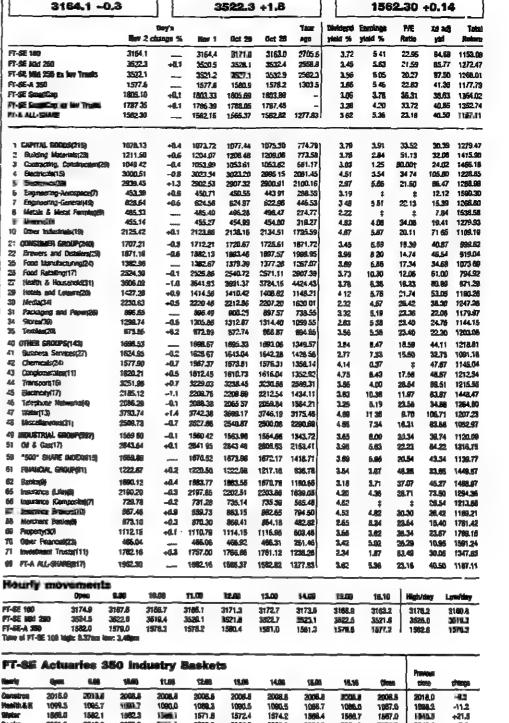


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burg, its broker.

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ERITISH FLINDS - Cont.

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OTHER FIXED INTEREST

hint hits C&W

ondo

RUMOUR that CITIC, the Chinese government's investment agency, is planning a major placing of HK Telecom shares, perhaps as much as a 5 per cent stake in the equity, after it announces its results tomorrow, badly upset the share price of Cable and Wireless, parent company of the Hong Kong group. CaW retains a near 58 per cent holding in HK Telecom and dealers took the view that any sale of CITIC's stock would trigger a slide in Telecom's share price.

outset of trading, reflecting the late sudden downward movement of the Hong Kong market, which closed only margin-ally higher after being substantially firmer at first. After reaching a peak 509p on Monday, the shares opened easier yesterday at 502p, and moved lower to close a net 11% off at 491p after another session of well above average

turnover of 10m. CITIC acquired its near 17 to UK dealers, could seek to lock in substantial profits now that the shares stand above HK\$17 apiece. "The Chinese would be looking at a massive profit of over 21bn from their

holding," said one specialist. He mentioned "a massive US appetite for far eastern and particularly Hong Kong stocks in recent months". Because of

NEW HIGHS AND LOWS FOR 1993

MEW HIGHS (1925).
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A PRESTEE (1) St Ives.

TRADING in Footsie futures yesterday moved on a rollercoaster yesterday, with several influences pulling on the December contract, writes Christine Buckley.

US selling once again stalked the contract in the morning and it slipped to a day's low of 3,166 early in the session. There was not much of a fight to rescue its 17 per cent stake in HK Telecom, CITIC would be pre-vented from selling any of its HK Telecom shares in London because of the "closed period"

Forte hit

Forte was hit as talk was heard in the market that CIGA, the loss-making Italian hotelies currently being courted by the UK group, had been made a more attractive offer by Hyatt Hotels, of the US. Forte shares came off 7 at one stage, but railled towards the close to end 3 adrift at 216p. Turnover was

an average 2m. Forte struck a management deal with CIGA last month. paying 283m cash and inserting seme of its own luxury hotels with a value of C&W shares slipped at the \$125m into an Italian operating company. However, the two groups were undergoing due diligence, and leisure analysts have been told that the deal is some months away from being finalized.

Waters strong again Water stocks made further rapid progress, building on Monday's solid gains ahead of

the important document from CITIC acquired its near 17 the industry watchdog outlinger cent HK Telecom stake in December 1989, for an average HKS4.50 a share and, according 1995 to 2000. Worries about the content of the Ofwat document, which is expected to be published in full in July next year, have cast a shadow over the sector in recent weeks.

But the market adopted a more relaxed view of the contents of the document yesterday, with a number of the leading brokers of the opinion that most of the bearish factors have already been factored

S.G. Warburg's utilities team took the lead in the market yesterday, advising their clients to "exploit any further weakness by increasing holdings". Warburg said: "We expect nothing of fundamental alarm on Thursday to leopardise our view that an attractive real rate of dividend growth can be sustained through to 2000; at a 130 sector yield relative, any downside on toughening regulation is discounted." Warburg has projected "at least 3 per cent real dividend

growth from 1995". Warburg continued to recommend its "core holdings" in the sector: Severn Trent, up 12 at 560p, Thames, 4 firmer at 554p. and Southern, 10 stronger at

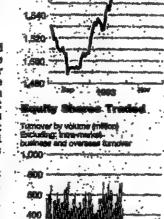
Thorn in the frame

The share price of Thorn EMI rocketed for a second session, although both leisure and telecoms specialists continued to be sceptical on press speculation of a possible bid by BT. Many preferred to believe the story from across the Atlantic that a US telecoms group was eyeing Thorn, speculation fuelled by US buying of the group's shares yesterday afternoon.

They closed 23 ahead at 987p in turnover of 1.9m. Mean-

be deterred and returned to

push the contract down. It



4 to 489%p, the partly paid 6%

to 220p.

on the news but faded to close a penny down at 532p. British Land extended its debt profile through a £150m advanced 3 to 409p. The com-pany, which is known to be on company being mentioned in connection with Stanbope yesterday as speculation increas

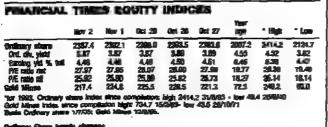
while, BT watchers were not discounting an aguisitive move in the near future, with one senior trader predicting that the move would come when BT took receipt of the \$2bn-odd for its stake in McCaw Cellular Communications, due shortly. BT fully-paid shares advanced

The property sector saw a burst of activity as a number of features excited interest. Firstly, MRPC announced it was extending its US retail activities with the purchase of American Property Trust, a property unit trust whose principal assets are two shopping malls in the US, for £115m. Analysts welcomed the deal. particularly in the extra exposure to the US retail market and at an attractive price. Nat-West Securities raised its net asset value forecast for the group to 440p on the back of the deal. MRPC shares jumped

bond issue. The shares the aquisition trail, was one over the shape of its future fin-ancing. Stanhope had confirmed weekend press reports

consider some good opportunities opening up as a result. Leading oil shares came under pressure, unsettled by a steep decline in crude oil prices. RP was unaltered on balance at 352%p, although Shell continued to attract overseas funds and moved up 6% to 718p on 4.2m traded. Pittimerief udvanced 37 more

Wimpey reportedly suffered a downgrading and fell back 6 to 167p.
NatWest Securities upgraded its forecast for Ladbroke Group, the broker taking into account the betting and hotel group's share of a £55m dividend payment from SIS, the satellite service owned by the UK's leading bookmakers. Nat-



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EQUITY FUTURES AND OPTIONS TRADING

December, with sellers outweighing buyers. Later on some optimism fed across from a bouncy German market and the contract moved up to trade in more positive territory. For a while it hovered mainly in a small range between 3,185 and 3,187. But the US sellers would not

before the official close when it registered 3,174 - on a par with its fair value premium to the cush market which stands at about 8 points.

Volume was improved on recent sessions at 10,602 con-In after-hours trading the market was enlivened by the

Bank of England's quarterly

struggled to muster a rally bulletin which contained upbeat signals for inflation. The contract advanced to 3,174 and looked poised to bounce in today's trading.

Traded options were steady at 29,904 lots. The bulk of the interest was in index options with the FT-SE 100 option trading 9.416 lots and the Euro FT-SE 100 option showing

CROSSWORD

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

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Village women surrounded

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23 One caught in police trap
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JOTTER PAD

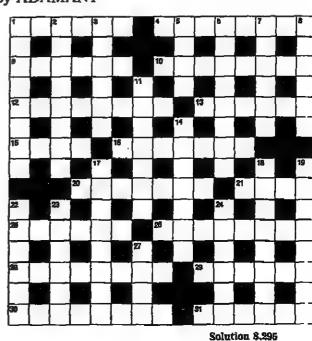
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FINANCIAL TIMES WEDNESDAY NOVEMBER 3 1993 **LONDON SHARE SERVICE** | Script Anter: Prog. | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | | Cor | May | Table | PACKAGING, PAPER & PRINTING - Cont. STORES - Cont. | March | Mar | The Control of the 145 Capon 145 533 2048 7042 2038 214 1,270 3182 163,9 2,037 27,4 5 | Ed. |
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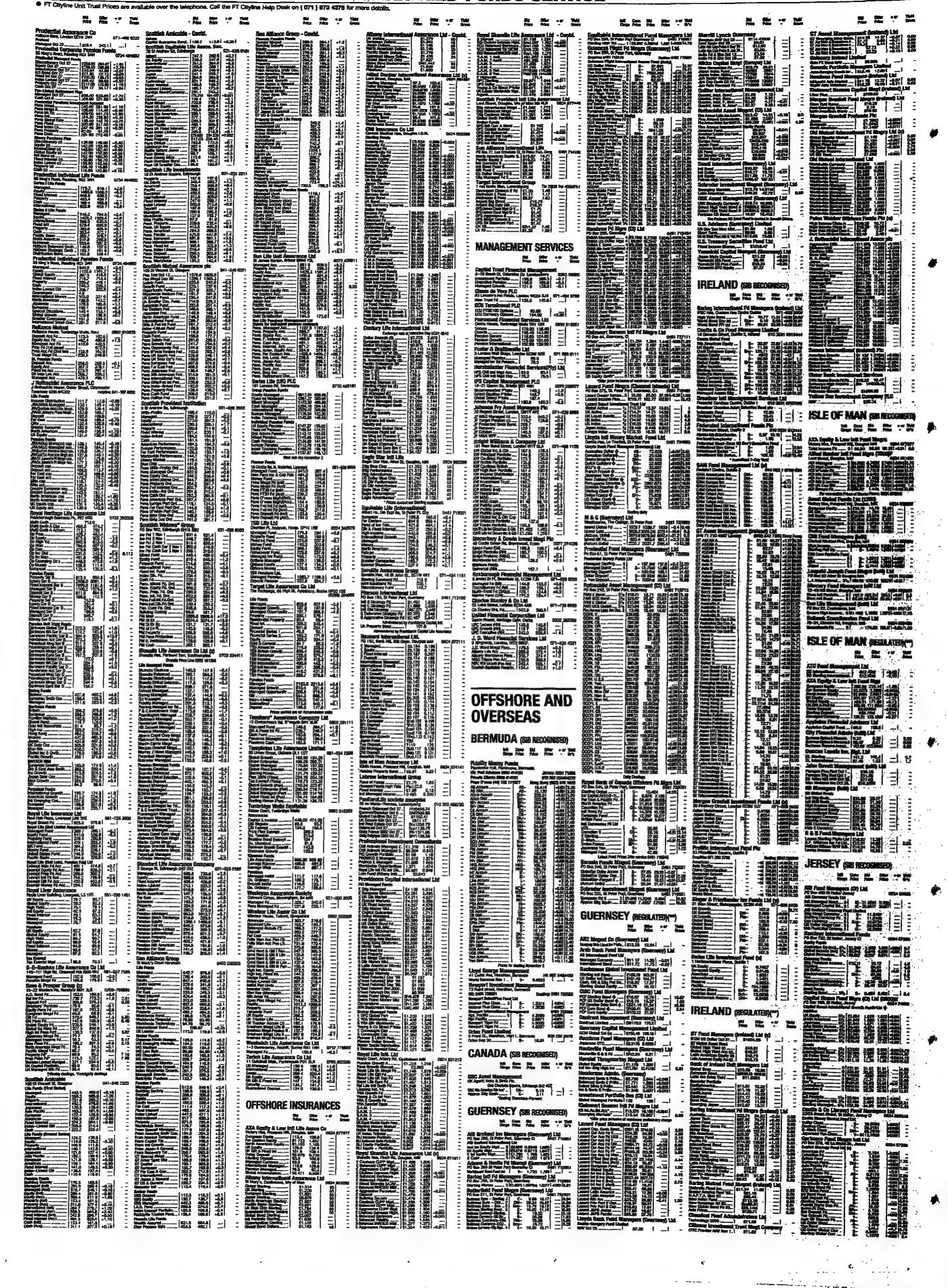
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● FT Cityline Unit Trust Prices are available over the telephone. Cell the FT Cityline Help Deak on (971) 973 4378 for more details.

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Dollar gains at DM's expense

nificant gains against the D-Mark yesterday. The German currency was also weak against several European cur-rencies, particularly sterling which consolidated above DM2.50, writes Peter John.

The dollar tried to push higher in Tokyo trading but ended steady against the yen and D-Mark on late profit tak-ing, apparently by Japanese

life insurers.

Then at the start of European dealing, the German Bundesbank announced that today's securities repurchase operations would be carried out at a variable rate. This gave hope that the repo would fall from its current 6.40 per cent to around 6.35 per cent. The belief that Germany will

continue to cut rates was given additional impetus by figures showing that German indus-trial output was still very

Switching from the D-Mark to the dollar pushed the US currency above DM1.70. It slipped at midday but when the US markets opened figures were released showing a surge in home sales and it moved higher again.

E III NEW YORK						
Nov 2	Litest	Previous Close				
E Spot 1 month 3 months 12 months	1.4805-1.4815 0.38-0.25pm 1.49-1.48pm 2.50-2.43pm	1.4815-1 4825 0.34-0.330 0.84-0.820 2.57-2.520				

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D-Mark	1.73	2.34375	1.91723				
Dutet Golder	5.25	1,63278	2.15242				
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Indian Lift	8.5	ALA.	1850.69				
Japanese Yen	1.73	150,903	137 339				
Norecty Krone		10.3743	£34187				
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irin Punt	-	MA	0.806703				
& Back rate refers to central bank discount rates.							
These are act quoted by the UR. Stoin and iretand.							
† Burgosin Commission Calculations.							
'All SON rates a	Lin sick 1900	41					

CURRENCY		
Nov 2	Sank of England	(Guerrant

Nov 2	England Index	Glastratity Changes %
Starting	80.6 86.4	-28.57 -10.70
Canadan Dollar Austran Schilling .	92.B 114.6	-10.28 -15.60
Belgian Franc Danien Krone	110.5 113.5	-3.04 +7.98
D-Mark	124.6 113.4	+32.88 +22.83
Dutch Guilder French Franc	119 6 108.3	-9.04
Yeo	78.0 181.8	-36.43 +121.31
Mornan Guerr	87 8 ntv change	-32.60
1960-1862-100, E		

OTHER CURRENCIES							
Nov 2	5	3					
Finland Greaci Hong Kong Kores(30) Kores(30) Kurest Lisensbourg Kistayeti	3.7905 - 3.7930	1,4840 - 1,4850 176,885 - 176,846 5,7815 - 28,5015 242,290 - 242,759 7,7290 - 7,7270 1828,00 - 1630,00 807,200 - 607,40 0,29900 - 0,2990 35,50 - 36,50 2,5605 - 2,5615					
Mendou	4.6325 - 4.6355 2.6675 - 2.6700 5.5525 - 3.6300 2.3625 - 2.3540 4.9346 - 4.9665 6.2823 - 6.3070 38.65 - 39.30 6.4375 - 5.4386	1 (290 - 3.1310 1.8020 - 1.8035 3.7505 - 1.5935 1.5890 - 1.5930 1.3725 - 3.3750 4.2500 - 4.2600 26.90 - 25.90 1.6725 - 3.5738					

ENCOURAGING economic data from the US gave a lift to the dollar which recorded significant buying trends showed recent buying trends showed that the dollar was now well supported at DM1.6850 and DM1.6920 while DM1.70 and DM1.7250 were resistance lev-

DMI.7250 were resistance levels on the way up.

The dollar closed at DMI.6945, up from DMI.6935.
Against the pound it eased to \$1.4825 from \$1.4810 and against the yen it slipped to Y107.50 from Y108.20 previously

ously. Meanwhile, a weaker D-Mark was most strikingly reflected by the relative strength of the pound. Sterling continued to build on its rise at the start of the week as the argument against an early cut in interest rates developed.

Previous statements by Mr Eddle George, the governor of the Bank of England, and Mr Kenneth Clarke, the chancellor, sought to dampen speculaEngland inflation report di tle to support the case i near-term reduction in

base rate. Sterling reached a hig DM2.5157 in the aftern before settling at DM2.5122 from DM 2.5075 previous Foreign exchange dealers consider it can quite easily as high as DM2.54 before is any strong desire to st funds.
The D-Mark also slip

against the Danish krone, ing below DKr4.0 to clos DKr3.9990 from DKr4.020 slid against the Italian lin 1.967.40 from L975.30 with nical analysts saying the could reach L960 soon.

The German currency easier against the French as Mr Edmond Alphanders French finance minister, firmed France's policy to n tain a strong currency. In, trast it gained against tion that the base rate is set to Swiss franc to close fall. Yesterday's Bank of SFr1.299, up from SFr1.287

	EMS EUROPEAN CURRENCY UNIT RATES								
	Centrels Amazontal Against Ecu Idea 2		% Charge from Certifal Rate	10 10	Spread Dieg	cates;			
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Eas central rates set by the European Commission, Correction are in descending relative strength. Proceedings changes are for Eas, 2 positive planes develop 2 week currency. Unwagened should be settle between the process the percentage of the control and the control cannot are the process for a currency, and the maximum permetted percentage deviation of the currency's market sets from the East control rate. Simple control rate, the process of the currency's market sets from the East control rate. Simple control rate, the process of the currency's market sets from the East control rate. 2.2% band between the Dutch Solitor and D-Mark. POUND SPOT - FORWARD AGAINST THE POUND									
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oricoy	1838.00 - 1649.73 7.3665 - 7.3673 5.9008 - 5.9355 8.1700 - 8.2025 107.45 - 108.56 11.9070 - 11.9500 1.4660 - 1.8085 1,1266 - 1.1330	1639.25 - 1639.75 7.3725 - 7.2775 6.9125 - 9.9175 6.1901 - 8.1850 107.45 - 107.55 11.9400 - 11.940 1.5000 - 1.9010 1.1306 - 1.1315 the and of Loodon tri	8.40-9.00mode 1.46-1.75crede 2.00-2.00cdu 0.05-3.35crede 0.07-9.00yen 3.30-3.55grede 0.18-0.21cdu 0.42-0.41cpm	中の一学の古典を	22 30-23 30 fg 3,80-4 25 dg 4,85-5 70 fg 7,90-8 25 dg 0,23-4 25 m 8,80-9 25 dg 8,41-0,45 dg 1,88-1,06 pm	-8.56 -2.21 -3.40 -3.87 1.21 -3.01 -1.16 8.70		

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YE	0.398	9.309	1	63 39 1000L	3.490	0.865	1.123	957.4	0.770	21.第	79.95	0.58
FR.	1 140	1.691	15.78		58.06	13.97	17,72	15261	12.15	339.0	1262	8.21
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N R.	0.364	0.525	0.890	96.43	3.107	0.786	1_269	1083	0.885	19.18	71.20	0.26
11	0.411	0.610	1.034	66.53	3 600	0.915	1.161	1000.	0.798	22.27	82.68	0.53
C S	0.617	0.798	1.299	81.33	4.532	1.150	1.469	1256	1	27.96	103.9	0.87
S Fr.	1.847	2.739	4.641	254.2	16.20	4,109	5.213	4489	3.573	100.	371.2	2.42
Pts	0.488	0.738	1,250	79.25	4.363	1.107	1,404	1209	0.981	28.94	100.	0.65
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MONEY MARKETS

Bank dealings smooth

INTERBANK operations in the UK proceeded very smoothly with the liquidity shortage largely taken out at the earliest opportunity, writes Peter

This was in contrast to Monday when most of the shortage remained outstanding until the end of the day. And the ease of yesterday's dealing prompted suggestions that the Bank of England might have exerted its influence by persuading some of the clearing banks to part with bills.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The Bank of England offered the money market an early round of assistance after forecasting a liquidity shortage of around £1.9bn, which was later revised up to £2.1bn. Among factors affecting the

position were the take-up of Treasury Bills and paper maturing in official hands which drained £1.35bn from the system, bills for repurchase by the market which took out £743m and Exchequer transactions which removed 255m. Offsetting these, a fall in note circulation added £115m and bankers' balances above target added £150m.
The Bank of England

provided £1.65bn of early assistance, buying bills for two basis points lower at 93.60.

resale to the market on November 22 at 52 per cent, and gave an additional £125m in the morning. This was followed by a further £198m of assistance in the afternoon, bringing total help for the day to £1.973m

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Short sterling took no cue from money supply figures which added to evidence that consumer spending is driving economic recovery in the UK. The rise in M0 - cash in circulation - to a seasonally adjusted 5.4 per cent in the year to October was very much as expected and most dealers were waiting for the Bank of England's quarterly bulletin

The futures contract for December traded within a tight range ending two basis points higher at 94.44 at the official close but falling back later. Euromark futures were

firmer as an announcement that the Bundesbank's repo today would be at a variable rate gave hope that it would fall slightly from its current 6.40 per cent. That hope was further encouraged by German industrial output data which showed that the economy was still very weak. The Euromark contract for December hit a high of 93.87 and closed two basis points firmer at 93.82. The French short-term interest rate contract settled

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US stocks come off highs on profit-taking

Wall Street

PROFIT-TAKING and rising bond yields took the shine off US stock markets yesterday morning, bringing share prices down from their record highs, writes Patrick Harverson in

At 1 pm, the Dow Jones Industrial Average was down 11.74 at 3,680.87, but off its low for the day of 3,667.46. The more broadly based Standard & Poor's 500 was 1.99 lower at 467.11, while the Amex composite was up 0.27 at 482.84, and the Nasdaq composite down 1.50 at 782.27. Trading volume on the NYSE was 175m shares by 1 pm.

After Monday's record-breaking gains, when confidence in the economic outlook pushed blue-chip stocks to new highs. investors took the opportunity to book some profits early yesterday. At one stage the Dow was down 25 points.

Also adding pressure to bond market yields. As on Monday, news of strengthening economic activity depressed vields at the long end to almost

selling was the report of a 20.8 per cent rise in September home sales. The increase, the largest since 1986, was well ahead of forecasts. The day's other news - a 0.5 per cent increase in September leading economic indicators – was also bearish for bonds but bullish

for stocks.

Consequently, after suffering sharp declines in early trading, prices eventually regained some of their lost ground by midday. Analysts said that the rise in bond yields, while wor-rying, had not been large or rapid enough to offset the positive implications of recent economic data. This has helped share prices stay close to their all-time highs.

The Dow would have fallen further but for a big gain in IBM. Following a delayed open-ing due to an order imbalance, IBM rose \$21/4 to \$49% in volume of 5.3m shares after brokerage house Donaldson, Lufkin & Jenrette raised its rating on the stock from "neutral" to "very attractive".

Forestry product stocks were in demand for the second consecutive day. Louisiana-Pacific jumped \$2% to \$41, Georgia-PaInternational Paper added \$%

Wal-Mart rose \$% to \$26% on the news that it was buying the Pace warehouse clubs from arch-rival Kmart. The news left Kmart unchanged at \$24% WorldCorp jumped \$1% to \$5% on the news that Malaysian Helicopter planned to buy

a 24.9 per cent stake in the

company for \$27.4m. On the Nasdaq market, Geotek Industries rose \$2% to \$12% in volume of 3.8m shares after the company said that several big investors, including the influential money manager Mr \$40m in the company to build wireless telecommunications networks overseas.

Canada

TORONTO was mixed at noon on profit-taking and in line with the softer tone on Wall Street. The TSE-300 composite index shed 7.47 to 4,240.55 in turnover of C\$394m. Advances outpaced declines by 358 to 279 with 316 issues unchanged PWA Corp added 11 cents to

Daimler fails to put brake on Dax rally

GERMANY was the story of the day, but some other markets dropped back on individual news, writes Our Markets

FRANKFURT had a phenom-enal session, a surge of 33.46 in the DAX index to 2,095.58 taking its gain to nearly 36 per cent on the year so far, turnover soaring from DM4.1bn to DM11.1bn and the Ibis-indicated DAX breaking 2,100 at one point in the afternoon before edging back to 2,086.40 at the post-bourse close.

Mr Bernd Pinnicke, equity analyst at Deutsche Bank Research, forecast that the DAX would rise to between 2,400 and 2,500 in the next three to six months. Liquidity from abroad was still flowing in and many domestic investors, he said, were still underinvested in equities.

The fundamental news was not good. Daimler indicated that it might be considering a reduction in its 1998 dividend and this merely cost it a below par share price rise of DM4.50 to DM752. Mr Harry Jaarsma, of Dresdner Bank in Frankfurt observed that the DB Research forecasts would put the market on a prospective 1994 p/e of veen 22.6 and 23.6.

Tokyo

Y501,000.

at 1,288,99,

debts of Y590bn

Terazono in Tokyo.

day's low of 19,342.03 and high

of 19,549.15. The focus of atten-

tion was once again East Japan Railway, which finished Y3,000

firmer at Y495,000, after mov-

ing between Y491,000 and

210m shares against 197m, and

falls led rises by 518 to 438,

although the Topix index of all

first section stocks put on 2.12 at 1,821.87. In London the

ISE/Nikkei 60 index gained 1.13

The market remained gener

ally resilient to news of the

financial crisis at Muramoto

Construction, an unlisted con-

tractor, which filed for court

protection on Monday with

Daiwa Bank, Muramoto Con-

struction's leading creditor,

declined Y50 to Y1,180. How-

ever, elsewhere in the banking

sector, Sakura Bank rose V10

to Y1.700 and Fuli Bank Y20 to

lower, with Mitsui Fudosan

down Y20 to Y1,290. Shimizu

falling Y15 to Y853 and Sato

Sumitomo Metal Mining

retreated Y6 to Y830 after weak

interim earnings on Monday, and as margin traders, who had bought the stock six months earlier on rising gold

prices, liquidated holdings.

INDUSTRIAL sheres main tained steady progress, while golds saw a slight gain follow-

ing Monday's sharp fall. The

industrials index rose 18 to 4,557, golds 3 to 1,703 and the overall 7 to 3,914. De Beers put

SOUTH AFRICA

Kogyo off Y10 at Y760.

Volume remained low, at

Mr Jaarsma noted outperformance among second liners like AEG, up DM7.30 to DM174.50 for a two-day gain of DM11.50, and among engineers where Linde rose DM34 to DM874 and Mannesmann by

PARIS drifted lower and the CAC-40 index settled just above: the day's low, down 12.24 at 2,169.7L

BZW's European equity strategists have recently upgraded their weighting in France to overweight, arguing that the market's recent underperformance "has been driven by a deterioration of relative timent rather than fundamentals".

This positive attitude was echoed by Kleinwort Benson's research team. Maintaining an overweight position in France against Germany, they suggested that when the switch into equities does come probably triggered by a further easing in interest rates -it will be domestically driven and therefore less vulnerable to US profit-taking.
Peugeot slipped FFr8 to

8.5 per cent fall in third quar-STOCKHOLM declined on .

FT-SE Actuaries Share indices Open 10.30 11.00 12.08 13.00 14.00 15.00 Close FT-SE Eurobrack 109 1979.26 1380.54, 1391.60 1396.98 1386.37 1596.02 1383.15 1302.36 DM(10.90 to DM354.30. 1374.61 1375.31

> worries over Volvo's proposed merger with Renault of France and a downgrade by Morgan Stanley of Astra, the pharmacentical company. The Affarsvärlden general index lost 11.9

> to 1.435.9. Volva closed off SKr14 to SErts/ as it announced a one month postponment of a shareholders meeting to discuss the

> merger proposals.
>
> Actra lost SErá to SEr163 on the downgrade. Mr James McKean, pharmacauticals analyst at Morgan Stanley, reduced his estimate for earnings growth to 20 per cent from 25 per cent given "the more difficult environment for healthcare companies in the

MILAN focused attention on developments involving Mr Carlo De Benedetti, the Oli-

No let-up in region's record-breaking run

ich insurance, up SF129 to SF11,387 and Swiss Re, up SP150 to SF13,820. AMSTERDAM remained on the upward track with the CBS Tendency index adding a further 1.3 to 137.7, although off the day's high of 138.5. VNU 1367.82 1377.10 1430.55 1437.92

1435.53

vetti chatrinan, and the Comit

index eased 3.66 to 579.75, also

reflecting political concerns

after the budget minister

proposals might not win parlia-

mentary approval before the year end deadline.

4.8 per cent before paring the

cent lower at L1,752 as the

chairman surrendered to police

in response to an arrest war-

rant issued by Rome magis-

trates, investigating alleged

territory, with the firm dollar

and interest rate outlook again providing the conditions for a

15.8 rise in the SMI index to

Winterthur bearers added

ANTON to STANO an the Insurer

2,742.9 :

ZURICH remained in record

loss to finish L49 or 27

Olivetti was marked down

was a strong riser in low vol-time, adding F1 5.50 to F1 154.00. BRUSSELS recorded a new year's high with a substantial amount of foreign buying being seen. The Bel-20 index rose 4.32 to 1,385.70 in turnover warned that the government's

of some BFr1.9bn. MADRID's US quoted stocks reflected mid-morning weakness on Wall Street, Repsol falling Pta40 to Pta3,995 as the general index closed 1.03 lower at 307.17.

ATHENS lost a further 1.6 per cent after Monday's decline of 1.5 per cent as many investors continued to take profits. The general index fell 13.42 to 807.37 ISTANBUL settled down 1.9 per cent on fears that the coalition might split. The composite index tumbled 267.1 to 13,668.1.

Written and edited by William Cochrane, John Pitt and Michael

Action in drugs sector as Bombay waits for a wind

RC Murthy on a market currently in the doldrums

dropped early last year, the Bombay Stock Exchange was at the crest of a wave. But now, with global markets in buoyant form, and feverish excitement in the Pacific Basin further east, India is in the dumps.

The process of integrating India with the world economy has begun in earnest, but the local stock market still mover in its own orbit, unconcerned with world developments.

Bombay's bourse, India's largest, has been haunted for some time by the controversy surrounding Mr Harshad Mehta, the key broker in India's Rs40bn securities market scandal; it has current political fears, with Kashmirl terrorists holed up in a Srinagar mosque under siege

by the army. It is two weeks since brokers concluded a four-day trading strike which shut down the bourse after a judge delayed settlement of a dispute over shares seized by tax authorities investigating the securities scandal. Since that time, the

Traders fear further interruptions in trading. The income tax department has to track down Mehtaowned shares sold on the market with the connivance of some fellow brokers.

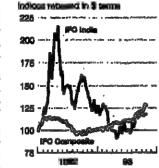
Meanwhile, the BSE index, which closed at 2,720.29 in a special trading session on October 19 following the resolution of the brokers' strike, dropped a further 52.46, or 2 per cent, to 2.621.28 on Monday, and stayed flat yesterday amid a general lack of interest.

There have been bright spots. Pharmaceutical companies, especially transnationals, have stood their ground after impressive gains over the past three months: Abbott Laboratories jumped by two-thirds to

October, Boehringer Mannheim by nearly one half to Rs130 and E Merck by a third to Rs115. Glaxo India was up to Rs293.50, from Rs230 at the end

According to James Capel, investors have taken a fancy to foreign company shares. The

companies have access to high



technology, resources and efficient management.

sons for the drug industry enthusiasm. Traders have driven up share prices, expectconian drug price policy that stifled profitability and growth of foreign companies over the past two decades; in addition, says Capel, there is a feeling that India will join the Paris convention on patents. That would eliminate competition from cheap imitations.

However, there are warning signals, of which Roche India is an example. This year it peaked at Rsi70, with a p/e of more than 40, and brokers said this was a high price for a company which returned to black only last year, and paid its first dividend in five years.

the press that the company's Swiss parent was less optimis-tic than Indian share traders on Indian government drug policies - and sold its subsidiary to a local businessman.

Carmakers have also attracted the traders' attention. Favourable comments by General Motors on the Indian car industry boosted the Calcutta-based Hindustan Motors. although it passed the dividend last year; and the recession-hit Tata Engineering, the largest truck producing company, jumped to Rs270 from Rs240 after Mercedes Benz hinted at a joint venture with Tata.

The broad market will have to reckon with the fallout from a special parliamentary committee report on the securities scendal, due next month. This could make it difficult to mount a major rally in the immediate futura

The fundamentals are more encouraging for the medium term. They include a good monsoon, strong foreign exchange reserves (\$8bn), good half-yearly corporate results agreement to a medium-term financing programme.

Lehman Brothers, in London, notes that the market has declined by some 40 per cent in local currency terms from its April 1992 "scam-induced" ak of 4,547. However, it likes peak of 4,547. However, It likes India's sheer size, its growing middle class population, its well developed local equity culture, its huge pool of cheap skilled labour and the signifi cant pool of non-resident

Indian money. Lehman, too, thinks that it is too early for a rally; but it says that this is a good time to start building up Indian exposure to at least a neutral weight posttion, to benefit from a possible pre-budget bull run towards Railway improving Y150 to

Y3.900. SHARE prices edged down on Consumer electronics stocks were higher on bargain hunt-ing. Matsushita Electric Indusposition squaring ahead of today's national holiday and trial firmed Y10 to Y1,470 and the Nikkei average ended marginally lower on arbitrage-related selling, urites Emiko Sony Y10 to Y4.970. Toyota Motor, which rose on foreign buying on Monday, shed Y30 to Y1,870 on profit-taking. In Osaka, the OSE average The 226-issue index lost 57.00 at 19,381.24 after registering a

> ome of 12m shares. Roundup

PACIFIC Rim markets contined their record-setting ways. Manila was closed.

dipped 21.34 to 21,489.77 in vol-

HONG KONG again set a record closing peak, although late profit-taking had wiped out much of the day's gain. The Hang Seng index was

other railway issues, Seibu finally 13.72 ahead at 9,642.91, after reaching 9,716.38.

Profit-takets began the day by dragging the index down 68 points before major buyers regained the upper hand, although buying slowed as the index topped the 9,700 level. Second and third liners led the active list: they were sought by retail investors who have been trying to avoid

expensive blue chips.
SINGAPORE picked up late
in the day, taking the Straits Times Industrial index 18.17 higher to a record 2,123.85. The newly listed Singapore Tele-

com eased 14 cents to 8\$4.00. BANGKOK added another 2.4 per cent, with the hanking sector selected by investors. The SET index rose 31.59 to 1,857.75 in turnover of Bt26.7bn. Among the actives,

That Farmers Bank gained Bt7 at Bt117 and Bangkok Bank

Bt10 at Bt182. NEW ZEALAND remained firm following good half-year results from Telecom, which rose to an all-time high of NZ\$4.68 immediately after the announcement, but then fell back to NZ\$4.57, down 3 cents on the day, The NZSE-40 index closed at a four-year peak of

2,203.09, up 3.59 points, in turn-over of NZ\$56.7m. AUSTRALIA retreated for the first time since October 25, with the All Ordinaries index losing 7.1 to 2,125.3. Turnover was A\$337.05m. A weaker bul-lion price contributed to the inge of sentiment and the golds index fell 36.0 to 2,178.6. Foster's Brewing, the day's most active stock, added 6

cents at A\$1.54, while BHP lost

Mining 10 cents to A\$5.46. KUALA LUMPUR closed higher but trading was sub-dued due to investor caution

and trading restrictions by some stockbroking firms. The composite index advanced 5.81 to 972.36. Malaysian Airling System gained M\$1.30 at M\$7.55 amid

speculation that the government planned to place shares it holds in the group. Malaysian. International Shipping, in which the government also has a stake, rose 55 cents to M\$7.20. SEOUL finished lower as sales by institutions of issues with low price-to-book ratios won a tug-of-war with buyers

of blue chips in the manufac

turing sector. The composite

index shed 2.84 to 758.42 in

turnover of Won941.48bn.

Director General of the National Lottery

Hill Samuel is advising on the competitive tender process to appoint an operator to run the National Lottery.



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> Ten Year Private Placement 1993



Hill Samuel advised on the restructuring and sale of assets to BTP plc. Hawthorn Leslie **Group PLC**

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Beloium, France, Italy and Spain

FT-ACTUARIES WORLD INDICES

Jointly complied by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

regional Markets			MONT	DAY HOW	(Similari	1993				FRIDAY	CTOBE	20 1985		DOL	LAR INC	<u>a</u>
Figures in parentheses show number of lines of stock	US Dollar Index	Day 5 Charge 4	Pound Sterleig Indes	You Index	DM Indes	Local Currency inclus	Locus Ni chg on day	Gross Uv. Yald	US Coller Index	Pound Sterling Indias	Yari Index	DM Index	Local Ourrancy Index	1983 High	1983 Low	(approx) ago Year
Australia (69)	162 63	+2.2	163.00	111.37	143.36	160.55	+1.0	3.23	159.37	158.95	109.20	139.16	159.00	162.83	117.39	113.59
Austria (17)		1.0	178.53	121.98	157.02	156.84	+0.0	1.00	180.23	179.76	123,50	157.38	.158,94	184.47	131.16	145.63
Beigrum (42)		-1.2	149.49	102.13	131,47	135.52	+0.0	4.25	151.18	150.70	103.58	132.00	135,52	156.76	131.19	137,33
Canada (107)	133.31	-0.1	133.45	91.17	117.37	127.13	-0.5	2.63	133.51	133.16	91.48	118.57	127.71	133.51	111.41	120,35
Denmark (32)		-0.7	236.64	151.68	200.12	218.86	-0.1	1,04	238,10	237.47	163.15	207.90	219.16	239.12	185.11	184.80
Finland (23)		-1.7	123.84	84.61	108.92	150.54	-1.0	0.69	125.88	126.55	88.26	109.92	152.13	125.88	65.50	66.13
France (98)		-0.8	166.90	114.02	146.78	155.02	+0.0	2,99	168.07	167.63	115.16	146,74	155.02	173.05	142.72	144.70
Germany (60)		-1.0	132.86	90.79	116 85	116.85	-0.2	1,62	134.11	133.76	91.91	117.10	117.10	136.13	101.59	103.49
Hong Kong (55)		+32	385,31	263.25	338.90	381.81	+3.2	2.77	372.88	371.90	255.50	325.60	369.96	384.90	218.82	255.52
Ireland (14)	171.66	-1.5	171.84	117.41	151.14	173.04	-0.5	3.23	174.19	173.73	119.36	152.10	174.44 83.94	174.50	129.28 53.76	129.83
haly (79)	68.06	~1.2	68.13	46.55	59.92 132.58	83.94	+0.0	1.99	68.92	68.73	47,22 103,69	132.16	100.69	78.93 165.91	100.75	59.42 103.32
Japan (469)		-05	150.7D	102.96	417.96	102.96	-0.7	0.80	476.92	150.94 475.67	326.78	416.42	469.57	476.92	251.66	274.54
Malaysia (69)		-0.5 +1.7	475.24 1052.13	324.68 1265.40	1628,95		-0.3 +1.8	1.46 0.78	1819.27	1614.48	1246.59	1588.53	6221.88	1867.70	1410.30	1482.58
Mexico (19)	194,70	-0.2	194.90	133.16	171.42	169.06	+0.7	3.24	195.05	194.54	133.65	170.32	167.86	185,17	150.39	157.77
New Zealand (13)	68.38	+1.6	68.46	45.77	60.21	65.44	+1.5	339	67.33	67.15	48.13	58.79	64.48	68.38	40.56	37.39
		-1.6	181.78	124,19	159.88	181.95	-0.7	1.40	184.46	183.97	12/140	151.07	183.27	185.10	127.71	137.02
Norway (23)	318.83	-1.3	319.78	218.07	280.71	233.64	-1.1	1,44	323.14	322.29	221.42	282.15	236.32	332.55	207.04	197.24
Singapore (38) South Africa (60)		-1.1	212.30	145.04	186.71	196.53	-0.4	2.71	214.53	213.97	147.00	187.32	197.41	218.72	144.72	147.71
Span (42)		-0.7	143.01	97.71	125.78	146.32	+0.0	4.04	143.81	143.44	98.55	125.57	146.32	148.24	115.23	108.57
Sweden (36)		-0.9	201.89	137,93	177.68	244.73	-0.3	1.38	203.54	203.00	139.47	177.73	245.49	208.92	149.70	155.07
Switzerland (50)	145.50	-1.0	145.65	99.52	128.12	135.39	+0.2	1.60	146.93	146.55	100.69	128.31	135.18	148.15	108.91	109.10
	190.08	-0.6	190.29	130.00	167.34	190.29	-0.0	3.75	191.21	180.71	131.01	166.95	190.71	193.97	162.00	163.34
United Kingdom (2:8),		+0.2	191.29		168.25	191.08	+0.2	2.69	190.65	180.14	130.64	166.47	190.65	191.56	175.38	172.60
USA (519)	191,05	102	19179	130.70	100.23	131700	1942	2,08	130,03	180,14	130004	100/47	190,00	191.00	113790	172.00
Europe (750)	160.22	-0.8	160.39	109.58	141.07	154.78	-0.1	2,93	161,46	161.04	110,64	140.99	154,90	162.97	133,92	132.21
Nordic (114)	190.53	-1.0	190.84	130.39	197.84	201.15	-0.4	1,22	192,60	192,10	131,98	168.18	201.95	194.54	142,13	142.00
Pacific Basin (713)	159.33	-0.2	159.50	108.98	140.29	113.10	-0.4	1.07	159.63	159.21	109.38	139.39	113.54	168.80	105.89	108.47
Euro-Pacific (1463)	159 59	-0.4	159.76	109,14	140,60	129.78	-0.3	1,84	160.28	159,85	109.81	130,94	130,10	162.88	117.26	118.07
North America (626)	187.48	+0.2	187.69	128.24	165.10	186.71	+0.2	2.69	187.08	186.59	128.21	161.38	186.33	187.68	171.51	169.34
Europe Ex. UK (532)		-0.9	141.18	96.48	124.20	133.74	+0.0	2.40	142.29	141.91	97.52	124.27	133.73	143.73	112.51	113.27
Pacific Ex. Japan (244)		+1.8	244.64	167.16	215.18	225.59	+1.5	2.60	239.97	239,34	164,45	209.55	222,18	244,37	152.70	159.02
World Ex. US (1649)	160.35	-0.4	160.52	109.68	141.18	131.9	-0.2	1.86	161,00	160.58	110.33	140.59	132,30	162.89	118.51	119.29
World Ex. UK (1950)	167.60	-0.1	167.78	114.64	147.58	145,41	-0.1	2.01	187.81	187.36	114.99	146.54	146.49	168.66	134.25	133.77
World Ex. So. At. (2108)	169.40	-0.2	169.58	115.07	149,16	149.92	-0.1	2.17	169.67	169.23	116.27	146.17	150.02	170.46	137.29	136.37
	181.53	+0.0	181 72	124.17	159.65	177.74	+0.2	2.75	181.56	181.09	124.42	158.56	177.38	181.56	157,47	155.08
World Ex. Japan (1699)	101.33	TU,U					_		-							
The World Index (2166)	169,58	-0.2	169.76	115,99	149.32	150.35	-0.1	2.17	169.87	169.42	116.40	148.34	150.45	170.66	137.32	136,34

Marian and adding

- Table 1



Wednesday November 3 1993



accelerator process of reviewing some 26m (it could be a million or two more) is growing by at graphically, it is part of north Africa, but emotionally it is strongly fied to the Arab world. Devotionally, it belongs to Islam, but economically it has decided that it wishes to be

Morocco is more self-confident than in

1983 when a balance of payments

crisis forced it to reschedule foreign

debt. King Hassan provides stability

liberalising the economy, write

and there has been some progress on

Roger Matthews and Francis Ghiles

Press on the

inked to Europe. The priorities given to those potentially conflictive characteristics, under the leadership of what remains ultimately an absolute monarchy, is likely to define Morocco's capacity to realise its considerable potential during the remaining years of

this century. The one apparently sure thing is that the changes will be gradual and the signposts may simultaneously point in different directions. King Hassan II, who appears to sit more comfortably on his throne than at any time since he took over from his father Mohammed V in 1961, exercises his power with acknowledged skill but not always with the most obvious

The interpretation of royal wishes, like the sources of . information and the identity of: the most influential advisers at the royal court, has long been demands one of Rabat's most engineeing. Plentified reasons can be

least 2.2 per cent a year. Some 50 per cent of Moroccans are under 20 years old and more than 50 per cent of adult males are illiterate. Urban unemployment is unofficially estimated at 20 per cent or more, while there is considerably greater underemployment in rural

World Bank studies suggest that is per cent of the popula-tion lives below the poverty line, with another 8 per cent only marginally above it. Income disparities are substantial, particularly between town and country. Across a wide range of social indicators, Morocco lags well behind other countries with similar pet capits incomes.

The need for social advancement, especially among the most disadvantaged, has taken on greater urgency with the spread of Islamic militancy throughout the Arab nations. and economic deterioration in neighbouring Algeria is an uncomfortably close reminder. of what can happen when an entrenched government fails to respond adequately to popular

advanced to explain why

widespread respect, if not always affection. His judgment and policies on major foreign policy issues, such as the Arab-Israel conflict and the Gulf war, have been substantially

The visit to Rebat in September by Mr Yitzhak Rabin, Israel's prime minister, recognised the importance of King Hassan's long-term commit-ment to a negotiated peace set-tlement. His support for the western-led military action to evict Iraqi forces from Kuwait flew in the face of popular sentiment, but is now seen by meny Moroccans to have been a politically astute decision.

The "green march" in 1975, which brought the Western Sahara under Moroccan control, is still disputed by the international community but

important decision of King Hassan's reign.

As Commander of the Faithful and a direct descendant of the Prophet, King Hassan can also claim a religious authority which appears to be largely unchallenged. Some Moroccans say they sense a growing Islamic militancy, but are hard

> The country's political parties are all, to a greater or lesser extent, monarchist. communists, the scope for ideological debate is necessarily limited and confines itself to policy priorities rather than fundamental aims.

The first round of elections for a new parliament earlier this year was thought by independent observers to be rela-tively free. The second round.

short of that objective. But

despite the disputed outcome. Morocco is advancing, however slowly, towards a more representative form of government in which the prime minister theoretically enjoys greater freedom of action. Rather more impressive

progress has been made during the past decade in the structural readjustment of the economy along lines encouraged by the IMF and World Bank. The budget deficit has been reduced to about 2 per cent of GDP, the current account deficit has dropped sharply as exports increased, rescheduling agreements have lowered the debt service ratio and inflation has been reduced to

Windfall benefits, such as Saudi Arabia's agreement to wine out debts of more than

two years of drought which last year curtailed agricultural output and caused an esti-

mated 3 per cent fall in gross

domestic product. The vagaries of the weather, and the consequent sharp fluc-tuations in annual GDP, lend even greater weight to arguments advanced by members of the business community for a more vigorous approach to the liberalisation and diversification of the economy. They acknowledge that the government is edging in the right

A range of measures over the past few years, including a reduction in tariffs, lower import duties, an easing of licensing restrictions, the convertibility of the dirham, financial sector reforms and the privatisation programme is helping to make the economy

more market-oriented

increase in direct foreign investment which last year was estimated at \$500m, more The economy: debt is

s open to doubt. The pace of

The economic picture is addi-

also posing uncomfortable questions about the country's

How keenly Morocco intends

to address these issues depends

heavily on King Hassan and the legacy he wishes to bequeath. He is only 64 and in

good health, but the political

dominance of the monarch is

such that any discussion in Rabat about Morocco's future

cannot avoid the issue of the

The king's experience and

skills in manipulating and bal-

ancing the diverse centres of power and influence within the

country are unlikely to be

inherited intact by Crown

Prince Sidi Mohammed, who

may anyway wish to pursue a

less directly interventionist role. Many Moroccans accept

that for the next few years at

least the country will need a

strong, unifying force at the

If there is a vision and an

example of how Morocco

succession.

policing and judiclal system.

☐ Privatisation: investors may be attracted as target looks set to be beaten

☐ Tourism: hotels are doing better but why does the Canary Islands get five times as many visitors? Page 3 Foreign policy: negotiations with the European Community

face market ☐ Relations with Spain: Investors pack flights to Rabat Page 4

government's acts of faith Informal sector: hub of undeclared activity Page 5 ☐ Industry: government's passive stillude under attack

Gabriel Bown

kilometres away. Morocco, like Spain in the 1950s and 1960s, is authoritarfrom it politically, agricultural but with huge industrial and tourism potential, and with a growing nucleus of young professionals who are internationally aware but increasingly

cisco Franco's death in the mid-1970s, the growth of the Spanish economy and a burgeoning middle class had laid the basis for a relatively smooth political liberalisation and eventual transfer of power.

It might seem wildly fanciful today to see Crown Prince Sidi Mohammed as a future King Juan Cerlos, but as a signpost for the future it points in a other Arab populations would

IN THIS SURVEY

under control, but change is

☐ Agricultural reforms:

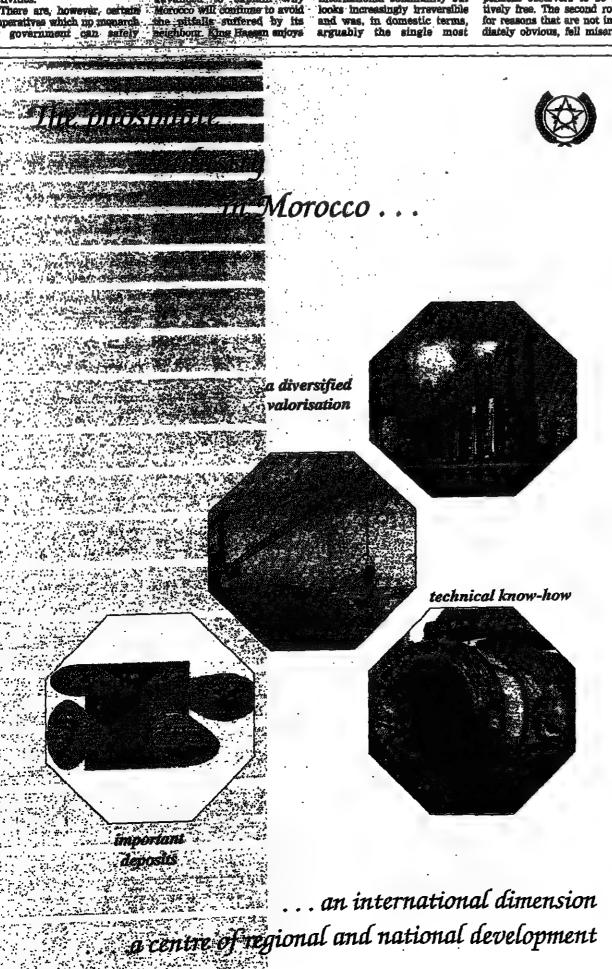
🗇 Banking: sleepy glants

☐ Western Sahara: the

□ MAP

frustrated by a cumbersome and restrictive bureaucracy.

By the time of General Fran-





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ir camp. iso divided the Social the largest e unhappy stituencies, share the preference t system. eats in the less badly

Hosokawa down the kashi lno politics at The vested save to be lication of to for the

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Debt is under control but change is still needed

IN THE expanding high rise buildings of Casablanca, Morocco's industrial and banking base, the whiff of dynamism and of an economy at work is strong. And it is in Rabat, the seat of the king, his ministers and of decisionmaking, that the quiet hum of satisfaction at the country's recent economic successes can be discerned.

Morocco, which at one stage looked as if it would go the way of Latin America, appears to have escaped the fate of countries that are saddled by increasing debt and uncontrollable inflation. Instead, it presents an record. It still faces an enormous challenge, however, in trying to improve the

The origin of Morocco's debt problem is to be found in the severe bout of overspending in the 1970s when, after the rise in the price of oil by the oil-producing countries, the price of phosphates, Morocco's largest mineral export, also increased. It went on a heavily in the development of the phosphate industry three-quarters of the world's Morocco - but by the early 1980s the collapse of world prices for phosphates, the cost of importing oil and a drought conspired to make it turn to

the IMF for help.

Morocco has followed a since 1984 which has been so well implemented by Mr Mohammed Berrada, the finance minister, that the country has been held up by

At one stage it looked as if Morocco would go the way of Latin America

interretional institutions as a role model for countries in chronic economic difficulties.

The government's budget deficit has been steadily reduced from around 12 per cant of gross domestic product in the early 1980s to under 2 per cent in 1992. The current eccount deficit in the balance of payments has also been brought down from 10 per cent to less than 2 per cant over the same period.

export-led growth, has allowed Morocco to control its total external debt of just over standing and disbursed to GDP dropped from 113 per cent dur-

Key Eco	nomic l	ndicato	rs		
	1989	1990	1991	1992	1993*
Real rate of GDP growth (%)	2.5	3.7	5.1	-29	3.0
Exports (Son)	3.3	4.2	4.3	4.0	3.5
Imports (\$bn)	5.5	6.9	6.9	7.4	6.5
Trade deficit/GDP (%)	-0.4	-10.4	-9.3	-11.7	-10.9
Current account deficit (Son)	-1.0	-0.7	-0.6	-0.5	-0.5
as a percentage of GDP	-4.4	-2.6	-2.2	-1.9	-1.7
Foreign investment (2m)	226.0	227.0	375.0	504.0	462.0
Outstanding foreign debt (Sbn)	20.8	20.6	21.1	21.3	21.6
Debt service (Stri)	3.6	3.9	3.3	3.2	2.9
as a percentage of current income	53.6	44.7	38.5	34.8	34.3
of which interest charges (\$bn)	1.4	1.6	1.4	1.3	1.3
ee a necrostane of GDD	80	5.8	53	47	4.5

gramme can mask the very

real economic problems facing the majority of the population. A recent World Bank report

mance in social indicators and

labour absorption: despite recent progress in reducing poverty, such indicators as

child mortality, nutritional sta-tus for the lowest income

and literacy and primacy

school enrolment rates, espe-cially among women, remain

tries with similar per capita

There has been some

1980s but many Moroccans feel

that the government reacts

only when it has no choice,

One such time was in 1990,

when violent protests against

poverty and unemployment

prompted an increase in social

spending by the government

The population of 25m is

young, with over 75 per cent below the age of 25 years. Unemployment, even for uni-

versity graduates, is a real

problem and the most recent estimates, for 1991, put unem-

ployment at 20 per cent in

urban areas, compared to 12

Comparisons with neigh-bouring Tunisia are not flatter-

ing. While GNP per capita in Morocco is \$1.030, it is \$1,523 in

Tunisia. About one in seven

Moroccans lives below the pov-

erty line (an improvement on

one in five in 1985) compared

with one in 15 in Tunisia. The

infant mortality rate is 65 per

1,000 births compared to 43 per

1.000 in Tunisia and life expec-

tancy is 62 years against 70

About 45 per cent of the pop-

ulation in Morocco lives in the

countryside and the rural-ur-

ban gap is enormous. Primary echool enrolment rates are 73

per cent for boys and 54 per

cent for girls, but as low as 35

per cent for girls living in the

countryside. Only 23 per cent

of the rural population is liter-

ate compared with 68 per cent

in urban areas. The govern-

ment is now preparing a strat-

egy to improve living condi-

tions for the poor and has

come under pressure from the World Bank to do so, since the

second tranche of the Struc-

tural Adjustment Loan is

dependent on the materialisa-

are unhappy about the pres-

sure being exerted upon them. "Social development has

become fashionable," said one

minister. "But how are we to

control the economy and spend money on the social side? We

need to invest in social deval-

opment but you can only do that if you have money and for

The government also faces

criticism and resentment from

its seemingly prosperous busi-

One in seven Moroccans

lives below the poverty

line compared with one

in 15 in Tunisia

ness class. "I'm appalled at all the stories about how Moroc-

co's economy is perfect when

we all know there are so many

problems," savs one Moroccan

industrialist unhappy at the

country's weak industrial structure. "Why do you think

foreign investors do not come

to Morocco? It is because the business climate is so bad."

Businesses are suffering

from a severe shortage of office

space due to property specula-

tion which has left rents

beyond the reach of all but the

very wealthy. As a result,

buildings stand empty while

accommodation is acutely

While good laws exist, some

people complain that the judi-

ciary cannot be relied on to

implement them and that it is

up to the country's political

from the top if it is to capital-

ise on its impressive record of

structural adjustment and rely

on the development of its own

productive resources to ease

poverty and encourage an effi-

leaders to set an example. Morocco will need change

that you need growth.

Some government members

tion of the report.

years for a Tunisian.

per cent 10 years earlier.

ent since the mid-

Foreign investment: principal countries (\$m)										
	1988	1989	1990	1901	1992					
France	37.1	53.5	69.9	111.8	118.6					
Spain	4.9	13.7	18.8	28.1	95.0					
US	3.8	10.3	5.8	10.6	34.4					
Switzerland	5.1	12.5	11.9	37.4	32.3					
Soudi Ambia	13.8	37.9	20.8	29.5	26.4					
Others	64.3	98.1	99.8	157.6	197.3					
Total	129.0	226.0	227.0	375,0	504.0					
Source: Ministry of Phance Rubat										

31 to 28 per cent over the same Debt-service repayments

with the Paris Club creditors, which account for about half uled several times in the 1980s and what is billed as the last rescheduling took place in Febto Saudi Arabia was written off by Riyadh in thanks for Morocco's support of the coalition forces in the war against Iraq. Morocco hopes that another

politically correct tactic will also prove profitable. Rabat conference by Mr Yitzhak Rabin, the Israeli prime minister, and Mr Shimon Peres, his foreign minister, who lauded the worm welcome extended to them by King Hassan. Morocco is hoping that the move will help attract foreign investment to the country. Last year it increased to \$514m from \$330m the year before.

The result of macro-economic discipline has been to save Moroccans from the ravages of inflation. The inflation rate averaged 5 per cent last year, compared to 8.2 per cent in 1991. The dirham has also held its value, allowing the government to introduce dirham convertibility for international transactions in January with full convertibility as the

and the cuts in government spending, the economy has managed to grow, albeit erratithe agricultural sector, which is in turn victim to the vicissiing 1984-87 to 73 per cent in tudes of rainfall. Gross domes-1982. The ratio of paid debt ser-tic product averaged 4.5 per vice to exports declined from cent over the period 1965-1991

but the economy contracted by drought which is now in its second year. The ourrent slump has also been exacerco's main export markets, notably France, which takes some 30 per cent of Moroccan

The trade deficit therefore worsened in 1992 to \$2.4bn from \$2.1bn in 1991, although higher tourism receipts as the sector recovered from the alump caused by the Gulf War which, along with greater remittances from Moroccans working abroad, is the coun-

Inflation averaged 5 per cent last year and the goel is full dirtam

try's main source of foreign exchange earnings, narrowed the current account deficit to just over \$500m in 1992 from 8850m in 1991. The government is now try-

ing to accelerate a process of liberalisation and privatisation to attract foreign investment In an open letter in July, King asked Mr Muha Karim Lamrani, the prime minister, to speed up the implementation of the strucreforms to create a favourable environment for productive investment but also to take measures which will allow investors, in the short term, to cope with the vagaries of the economic environment

However, the success of the structural adjustment pro-

Amount Société des dérivés du sucre Dh18.49m done sealed tender bild veral farmers Courteurds Dh10m Merocean companies transportation done public offering Dh110:57 Floride Hotel les Amane tourism ealed tender bid Dh5m cement manuf gas distribution terie de l'Orienta public offering" done Dh612m Société petroles du Maghreb Dh122.4m done oroccan-Libyan consortium lourism : ealed tender bid Dh50m Dh364m gas distribution Dh100m Hotel Toubkai, Marta malest trader bid fourism: Dh35m Dh30m COLFREN eeled tender bld ongoing tourism seeled tender bid gngolng sealed tender bid Dh46.81r ongoing Dh87.5m

Francis Ghiles looks at the country's privatisation programme

Privatisation

Investors may be attracted as target looks set to be beaten

FOR MANY international subaldiary of the Swiss Holder bank group of a 51 per cent stake in the CIOR state coment company last July marked a watershed in Morocco's ambitious privatisation pro-

Privatisation this year has so far brought US\$250m worth of foreign investment into the country. By the end of the year, the authorities are confident that they will have overshot their initial target by 40 per cent.

Last year, external financing in the form of direct invest-\$500m current account deficit. whereas foreign investment financed only 50 per cent and 23 per cent of the deficit respectively in 1992 and 1991.

Remittances from abroad could prove a significant source of capital for the privatisation programme

The privatisation programme is on target and, if successfully pursued - 112 companies worth an estimated 2bn are expected to be privaised by the end of 1995 – will play a key role in furthering the liberalisation of the Moroccan economy, modernishing the country's industrial sector and strengthening the country's alance of trade. Its success so far is a tribute to Mr Mouley Zine Zahidi, the minister of industry, and Mr Hassan Amrani, his very energetic director of privatisation. The full backing of King Hassan, an essential precondition for any successful venture in

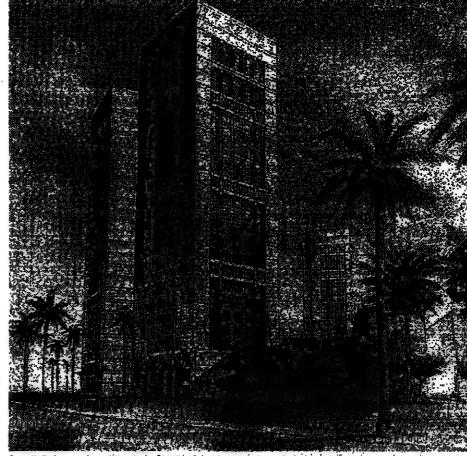
Citibank, which recently signed the first international commercial loan in 10 years for a Moroecan company Group - pointed out in a recent analysis of the Moroccan economy that it felt "comfortable with the country's low level of commercial debt (19 per cent of total external debt), relatively high level of foreign reserves and the Moroccan administration's stated goals to pursue market orientated policies and to reestablish normal relationships with external creditors." The loan for ONA comes 10 years after Morocco was forced to reschedule its foreign debt.

A price tag of Dh1.2bn was put on CIOR whose sale iwarfed the privatisation of CTM, an international bus company which was valued at Dh320m and successfully privatised last June. Ten per cent of the shares were sold to the regional authorities in Ouida and Fez in north-eastern Morocco where the company's two plants are located. A further 30,000 shares were earmarked for employ 40 per cent of CTM shares were issued on the stock

exchange last June and the offer was oversubscribed. The shares are currently mium to issue price. The most interesting feature of that sale was the keen interest shown by Moroccans living abroad who picked up one-third of the shares on offer. This interest underlines the importance of the \$2bn that Moroccan immigrants remit home every year and which could prove a significant source of capital for

the privatisation programme. The bourse has, since its creation by the former French colonial ruler, played a very limited role in the economic life of the country. Apart from an odd flurry of activity in French times, the bourse has been effectively moribund by international standards for all

its 65 years. Moroccan savers traditionally invest in real estate or put their money on deposit. Businessmen go to their banks or domestic shareholders created. tap private sources of finance, As a report by Blakeney Man-





agement, the investment

adviser, notes: "Neither of

these goals can be achieved.

without an efficient and liquid

bourse as a medium of

Today, there are still only 69 stocks listed on the bourse.

Many of these never trade.

Many stocks go for weeks

without trading and the last price may not reflect current

market conditions. Twenty

tially banks and insurance

institutional investors, essen-

companies constitute a com-fortable and rather cosy club.

conspiring to bring changes. First of all the law passed last July on capital markets and

mutual funds which will

reduce transaction costs and

bank depositors switch some

of their funds. The second is

the new-found interest in

acquiring some Moroccan

investors such as the US

money management fund Tem-pleton. Salomon Brothers and

the ONA Group are setting up

a \$200m private equity fund.

Barings has recently under-

writing 400,000 ONA shares for its institutional clients.

the emergence of investment

funds such as Casablanca

Finance, which is backed

Banque Commerciale du

Maroc. The country's leading

Privatisation is encouraging

eres shown by institutional

Three factors however are

usually within the extended network of family companies and banks. Recently, treasury bills with a yield of 13 per cent. tax free have been a magnet for individual investment.

The lethargy of the bourse today does not, however, reflect a lack of demand but rather a combination of chronic shortage of supply, high cost of transaction and

Institutional investors are beginning to show interest in acquiring Moroccan shares

inadequate disclosure of company accounts. The privatisa-tion process is thus expected to provide an impetus to the bourse and an opening to foreign institutional investors, for two reasons. One is that it will result in a large increase in liquidity. The second is that learnt from other countries' experience and knows that selling off a string of companies to multinational corporations may be the easy way out but it is a method which is both short-sighted and fraught with political risks.

To ensure a privatisation programme is acceptable politiically, shares in major companies must be widely distributed and a diversified body of sation is backed by the Mutuelles du Mans insurance group and the Societe Marsell-laise de Credit. Two much Interfine fund, jointly owned by three Moroccan banks, the International Finance Corporation Spain's Banco Exterior, ment and Proparco, the French equivalent of IFC. IFC, together with Siparex, a Lyon based venture capital group and the Morecean comm Wafa Bank, is in the process of setting up a \$40m venture capital fund to help bring equity capital to medium-sized Moroccan companies. Other interesting develop-

nts include the setting up by three young Moroccans of the Upline group, which aims to provide foreigners interested in Morocco with risk ment studies and investment advisory services. L'Economiste, the first reliable economic and financial weekly, was launched two years ago, edited by the much respected Nadia Salah.

Owned by a small group of private investors, it sells 17,000 to 20,000 copies every week. Its senior editorial and management staff hold 44 per cent of the capital and its publication marks a break with the traditional type of Moroocan newspaper, which is highly politicised and usually sensational in style in a country where the hand of the censor remains heavy.

A further development

should help boost Casablanca as a city of international trade and finance. The ONA Group is soon to start building a world trade centre whose facilities, it is hoped, will bring many Moroccan companies going on abroad. The two tow-ers, whose architects are Ricardo Bofill and Elie the sky line of a city which over the years has grown in rather disorderly fashion.

For the privatisation process to run smoothly and the opening of the Moroccan economy to be confirmed, one factor is still missing: transparency in business. As a recent World Bank summary on "Develop-ing Private Industry in procco" underlines, a weak judicial process which is slow. opaque and unpredictable in enforcing rules and resolving disputes is, in the view of foreign companies "an important private bank, its aim is to obstacle to investment.

9.09

Baring Securities

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TEN years ago, 57 per cent of Morocco's population lived and worked on the land. That percentage has declined to 50 per cent and is set to continue its downward trend.

However, fewer than half of all the jobs in Morocco are on the land, as between one fifth and one quarter of all farmers are seriously under-employed. Overall, this sector contributes nearly 20 per cent of gross domestic product, yet the average income of those who till the land amounts to half that obtained in the towns.

Imports of foodstuffs account for 12 per cent of Morocco's trade deficit which in 1990-92 averaged Dh3bn's year. Yet exports of farm produce average 17 per cent of total exports and are growing, though in erratic fashion because very contrasted climatic conditions (the country has suffered badly from drought since 1991) makes the sector's contribu-tion to national wealth vola-

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Section 2

Many difficult problems confront the Moroccan countryside. It remains underequipped in many ways. Few small farmers have electricity let alone running water, and little has been done to improve

and hotel managers are smil-

ing again. The iraqi invasion of

Kuwait three years ago was

catastrophic for the tourist sec-

tor, which remains Morocco's

second largest hard currency

than 2m, followed by Germany

Marrakesh, has been beloed by

the war in former Yngoslavia

Egypt and, more recently, Tur-

hotels, but the price of many

very unfair to the sheer beauty and variety of the lands ruled

by the oldest monarchy in the

Arab world.

tourists and businessmen.

to be even better.

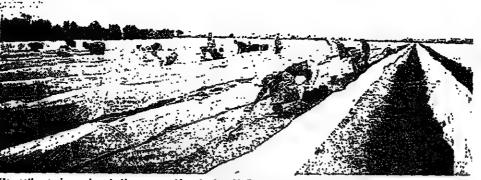
Now the country must co-ordinate its agricultural reforms, writes Francis Ghiles

Quiet revolution is under way in farming

areas. The land remains extremely fragmented, with the average farms no more than 4.8 hectares, the average age of farmers is over 50 and between two-thirds and threequarters of the population mains illiterate.

Yet despite these difficulties a quiet revolution is under way. Much of the credit for these changes rest with Mr Othman Demnati, who left the government earlier this year after a decade during which his reputation was steadily enhanced, an unusual outcome for someone occupying a ministerial portfolio in Morocco for

A private landowner himself and a man of common sense and determination, Mr Demnati set about changing a policy which, in the 25 years after independence in 1957 had seen fit to make the farming sector pay for the development of industry. Luckily, such a pol-



sting spring melons in Haouz, near Marrakesh (left). Exports of these and other fruit have grown

icy was not pursued, as in many other Arab or African countries, with the kind of ideological drive displayed in neighbouring Algeria.

Furthermore, the monarch had no intention of impoverishing the countryside, from which he still draws considerable support. Throughout his

reign, King Hassan has insisted that investment in water was essential.

It is thanks to this policy that 10 per cent of all usable land is irrigated. Production for 45 per cent of the added value of farm production and 90 per cent of the value of

in 1984, after three years of very severe drought, King Hasdecreed that farming

would be exempt from taxes until the year 2000. Though it discriminated between rich and poor farmers, the decree was more than justified because the old agricultural tax yielded less than it cost to levy. A 50 per cent devaluation of the dirham over 10 years has provided a strong boost. The results are remarkable.

The diversity of Moroccan production has grown. Potatoes. courgettes, winter melons, strawberries, artichokes grown from seed, peas, chilli peppers, mange-tout and cut flowers have been added to the traditional list of tomatoes and cit-Even more remarkably, half

of all exports now go to markets outside the European Community, notably to Canada and Scandinavia. Within the EC, Moroccan exporters have targeted the UK and Germany, markets where they were hardly present a decade ago. successfully. They are now taking their produce directly into Portsmouth through Geest, a large UK shipping, distribution and packaging company and into Bremen in north Germany. They are selling to eastern Europe, in exchange for hard cash.

Where exports have not been diversified, difficulties remain. Sixty-five per cent of all tomatoes are exported to France, where they risk being destroyed by irate French farmers. Spain and France are in direct competition with

Morocco but the EC has proved, overall, a good market for those producers in Morocco who innovate and upgrade really professional.

Around Agadit on the Atlantic coast of southern Morocco, the carefully cultivated plain which boasts 300 days of sunshine a year looks from the air

By introducing israeli seeds, the authorities have in effect broken what was a virtual **Dutch monopoly**

like parts of California. The Soussi berbers are proof that some Moroccans are more than able to hold their own in the modern world. Joint ventures with foreign

partners, many of whom are actively relocating production. helps to explain this success. Near Agadir, one Swiss investor has built 400 greenhouses at a cost of between \$40m and \$50m since 1990. The Spanish seem to be everywhere. In Lanache near Tangiers in the north and around Agadir. British and French investors

are present. In the vast irrigated Haouz project around Marrakesh, which boasts a computer-controlled water distribution system worthy of the the French and the Dutch are, growing roses on 120 hectares of land in joint ventures with Moroccans. Seventy per cent of ers. Observers agree that the hold the key to further rationthe production is exported to Holland, Canada and the US.

Not only is production increasing and getting very diversified, but more added value is being put onto products in Morocco. French bulk importers of Moroccan potatoes are now happy to treat and repackage Moroccan potatoes in winter months because their profit margins are under pressure owing to the reces-

This winter Morocco will start treating and packaging some of its own potatoes before exporting them. Chilli peppers produced around Larache are being turned into paprika before being exported.

Other factors have contrib-uted to this revolution. One is that by introducing Israeli seeds to Morocco a few years ago, the authorities have in effect broken what was a virtual Dutch monopoly. Israeli irrigation techniques, often trading under Spanish convenience names, are also openly pointed to in Marrakesh and around Agadir, in the Haouz project, farms of different sizes are integrated into the water distribution pattern, less well-off farmers working side by side with wealthier ones. Some can afford more sophisticated irrigation and fertilising methods than their neighbours, but the result appears to encourage change rather than

On all these fronts, King Hassan's domaines royaux are said to offer models of what modern farming should be, but are virtually closed to outsideconomic reforms which the

debt forced on Morocco after 1983 have been the key to the current changes. Indeed, the abolition of the state export monopoly of fruit and vegetables and its replacement by private groups such as Atlas Fruit Board, which handles exports from the king's domains, have made all the difference.

Another debate is now open ing up which centres on why Morocco should be self-suffisuch as sugar. Two-thirds of the sugar that Morocco consumes comes from the central Doukkala, Tadla and Charb regions. But small local farm-ers are increasingly protesting



The casheli (walled town) in Asileh, northern M TOURISTS ARE back in force

Hotels are doing better, but the industry still has problems

How to tempt the tourist



The King Hassan II mosque in Cassiblanca, which combines high ogy with the ornate Moslem tradition, is estim coat \$500m. It was inaugurated by the idng at the end of August

For those who seek sun and sea, good beaches abound along the Mediterranean and Atlantic coasts. Around Agadir, one may enjoy 300 days of sunshine a year. For those more openly in the media. with more cultural pursuits, the old imperial cities of Fez notably on television. Nevertheless, in Marrakesh the situand Marrakesh offer the easiation is so bad that many est exposure to the "mysterious Orient". For the rapidly Moroccan nationals refuse to growing adventure holiday sec-

visit the city.

desperately seeking some

that the aggressive attitudes

shown to foreign visitors are

not susceptible of an easy cure.

Morocco is paying for its high income disparities and poor

education system, which

leaves two-thirds of the popula-

tion illiterate. The comparison

there harassment is simply not

2. The second reason is equally

complex. Morocco has always

prided itself on being an

upmarket destination. Yet despite the "beautiful" people

who travel to Marrakesh, most

European visitors travel on

package tours, like millions of

with Tunisia is instructive -

Many Moroccans suspect

means of earning a living.

Repression alone will not provide an answer as the intritor, walking and skilng in the High Atlas mountains and motoring to the spectacular cate network of protection and corruption, built up over the Saharan valleys around Erfoud years and taking in shopand Zagora offer endless scope. owners, young Moroccan guides and the local police, Morocco has been spared the vandalising of its coastline so characteristic of parts of makes the problem a complex one to unscramble. Income dis-Greece and Spain, yet its lack parities in Morocco remain of visitors remains a puzzle. great and the European visitor Why does the country do no better than Tunisia, its small is inevitably cast as the rich man, particularly in towns eastern neighbour, whose scensuch as Marrakesh and Fez. ery and traditions, however where one fifth of the popula asant, are no match for its own? Why does Morocco tion remains unemployed. In Marrakesh one half of the popattract less than a fifth of ulation is believed to derive its those who visit the Canary living, directly or indirectly, Islands? The two main reasons from tourism. The last two are not too hard to find. years of drought have com-First of all, foreign visitors pounded difficulties as more are liable to harassment by people than usual flock from the countryside to the cities,

flocks of teenage touts and "guides" almost wherever they go. Secondly, there is often no obvious connection between the number of stars that a hotel boasts and the quality of service that the tourist should

1. More discerning visitors are also disappointed by the absence of any serious policy to restore old buildings and cities and the lack of any cultural activities, except for the most jaded of folk dances, which are often a source of embarrassment rather than entertainment.

The authorities have often promised to crack down on unofficial guides and beggars and on unscrupulous taxi drivers, whose endless expectation of yet another tip helps to

explain why, for so many Euro-pean visitors, their first visit to Morocco is their last. Begging letted in four- or five-star has begun to be discussed hotels, which provide only what has been paid for, not that demanded by high-class establishments. The authorities have tried to

downgrade certain hotels, but nonetheless the visitor must be prepared for surprises. Some three-star hotels are excellent. but many five-star hotels are not worth the money.

It is damaging to the country's reputation among tourists when hotels such as the Hotel Palais Jamai, which dominates Fez and is meant for the seriously rich, provide indifferent service or when the Tour Hassan Hotel, the second best in the capital, Rabat, charges prices way above the service it offers. Its five-star de luxe status is viewed, in Rabat, as a bit The Tour Hassan is privately

managed which shows that a privately-run hotel can be as badly run as a public sector one. In general, Morocco's hotels are burdened with a surfeit of stars; the older hotels suffer from lack of upkeep and many establishments have a gung-ho attitude towards their However, there are enough

well-managed hotels to suggest that Moroccans are capable of maintaining high standards. The Royal Mansour in Casablanca, which is managed by Forte, and the Minzah in Tangiers, perhaps the most attractive hotel in Morocco, are two prime examples. Further down the scale, the Idou Ania and Kandara hotels in Casabianca offer good service at a reasonable price.

More recently, a new chain called Moussafir started to open hotels that operated on a new formula. All are built at

bossting only three stars they are competitively priced, decorated in a simple style and provide good service. They enjoy a 75 per cent occupancy rate. Eleven more are due to open in the next few years.

The Moussafir chain is the brainchild of the largest pri vate group in Morocco. ONA which owns the hotels jointly with the Banque Commerciale du Maroc and the Moroccar state raliway company ONCF. Unlike many hotels in Morocco, these hotels are staffed by professionally trained personnel.

ONA is also launching three large "integrated" tourist pro-jects in Cabo Negro, near Tetouan, in the north, Casablanca and Marrakesh. All will have golf courses and with luck will provide an example to others.

The difficulty of imposing modern standards of management in many hotels stems from the fact that many private entrepreneurs who have made money in one sector like to invest their savings in bricks and mortar. They often run their hotels themselves, and do not allow the profes sionally trained managers they appoint any real say in decireinvest profits in the business and thus standards deteriorate over time. Too many hotels are built for essentially speculative

Another, historical, reason explains this lack of progress. Until the Treaty of Fez established the French and Spanish protectorates in 1912, Morocco was as closed and unknown to foreigners as Tibet. The country had been an independent Moulay Idriss, a grandson of the prophet Muhammed in the 8th century AD. This independence had been fiercely guarded until the the beginning of this century.

 Being cut off from the outside world did, however, offer the great advantage of preserving, far more than elsewhere in North Africa, old traditions. The other side of the coin is that until recently. Morocco has not been as successful at marketing itself abroad as it should have been.

Nor has the number of just over 84,000 beds increased: the figure is what it was six years ago. However, some Moroccan observers argue that the tourist industry's main task should be to raise its standards and to contain harassment.

That means more profes sional staff and a willingness on the part of the authorities to act rather than talk. Recent measures by Mr Hassan Abouyouh, minister of tourism suggest he is fully aware of what is needed. If the problems which confront the sector are tackled with determination, the pickings, in terms of foreign income and new jobs not to mention a kinder perception of Morocco abroad will be rich indeed.

Francis Ghiles

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against the local water boards that impose a pattern of water distribution, which is only of use to those who grow sugar beet. So great is their obduracy that some farmers have taker to sinking small wells and storing the water, thus escaping the tyranny of the water Sugar beet is very labour-in tensive and thus its cultivation unemployment Against that rather political logic, a new logic is increas ingly rearing its head, that is logic of the market and a real appreciation of the costs of production. And water is a key here as Morocco must manage its water resources with greater care. Needs are huge, while resources are increasingly expensive to mobilise. but years of drought will force. every few years, some water esources to be used for cereals rather than fruit and vegetable Mr Demnati is believed to have left his post because he could not get the government to agree to co-ordinate the different aspects of rural develop ment - bringing electricity, schools, roads and running water to what remains a physi cally and tribally very fragmented countryside. He appears, most notably, to have run into difficulties with the powerful ministry of the inte-Here, as in other sectors, the challenge Morocco faces in the next few years is to co-ordinate reforms which to date have often been conducted sector by sector and avoid what a recent strategic study on "Rural Development" from the Ministry of Agriculture describes as "confrontation" between different ministries and economic interests. Such a change would alising and developing the rescheduling of the country's farming wealth of Morocco.

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Foreign policy stance seems vindicated

MOROCCAN foreign policy for the past three decades has not consistently right, according to officials in Rabat. The recent breakthrough in relations between the Liberation Organisation and Israel is, for them, just the latest vindication of a Moroccan stance taken and maintained

whatever the external or

Support for the western coalition against Iraq culminating in the Gulf war is King Hassan flying in the face of domestic opinion, while the takeover of the Western Sahara from Spain in 1975 is

international pressure.
For King Hassan there has heen no historical contradiction in sending Moroccan troops to fight against Israel while also protecting his own Jewish population and arguing for a negotiated settlement to the Arab-Israel conflict. Meetings between Egyptians and Israelis in Morocco helped Award Sedar's critical visit to

Moroccan descent who wisk to return to their former homeland for holidays.

But, at the same time, officials in Rabat stress that Morocco stands four-square behind the aspirations of the Palestinian people to achieve self-determination, is proud to he the chairman of the al-Gods. (Jerusalem) committee of the Islamic Conference Organisation, and is a fully committed member of the League of Arab The visit by Mr Yltzhak

Rabin, Israel's prime minister, to Rabat in September on his way home from his historic handshake in Washington with Mr Yassir Arafat, the PLO chairman, was an acknowledgment of King Hassan's peace-making role. But it went no further than that. Israel's hopes for a visit by King Hassan to Jerusalem and the and are unlikely to be until there is substantially greater

politics. Peace is about changing people's minds, about changing the way they look at issues. This is what we have been trying to do, and we shall keep on trying," says an official, who looks forward to early progress in Israel's talks demonstrate that the peace process has become irrev-

the spread of Islamic radicalism, are combining to cceptable to Morocco. The key lies in who would be eligible to vote in a

future: just the 74,000 people included in the 1974 Spar Polisario, or the additional .120,000 said by Morocco to be of Saharan parentage or

Mr Boutres Boutres Ghali,

the UN secretary general, said during a visit to the region in

June that he was pressing

both sides to come to an

agreement. Whatever the

The risk, of course, is that a

There is a feeling in official circles that Morocco's 15-year struggle to confirm its occupation of Western Sahara is grudgingly winning international acceptance

Less publicly, but with even greater private satisfaction, there is a growing sense in official circles that Morocco's 15-year military and diplogatic struggle to confirm its occupation of the Western gingly, winning international

Algeria's mounting do problems, the weakening of the nationalist Polisario Front. the preoccupation of the UN with other more pressing issues, and the US concern at

Much would depend on the attitude of Algeria: there have been recent signs of a slight referendum on the persions's improvement in relations with

There is little indication, however, that this will translate into a more effective Arab Maghreb Union, the organisation which brings together Morocco, Algeria, Libya, Tunisia and Mauritania. Formed in 1989, the AMU has agreed a number of conventions but none has been put into effect. Moroccan officials acknowledge that the organisation's chances of

or a decision to go shead without Polisarlo agreement, UN ruling on sanctions against Libya for its alleged rule in the the Moroccans will accept only destruction of an airliner over a formula which they are Lockerble in Scotland. confident would produce a Morocco's main attention:

membership, and before that an agreement which would permit almost free trade in agricultural produce, have reluctantly given way to a more sober assessment of what might be possible.

Whatever the final outcome on improved economic co-operation, EC officials see the biggest immediate gain for Morocco as political. "The big gain for Morocco is not in whatever is finally negotiated. The details matter less than the heightened political visibility that Morocco will enjoy as a result of closer links with the EC, and the impact this could have on inward investment, not just from EC members but also from other industrialised countries, such as Japan*, community one official.

Negotiations are certain to be tough over sensitive issues for southern European countries, such as the access but diplomats in Rabat sense that King Hassan's desire to attach Morocco firmly to Europe will eventually prove

based, like much else in the country, on the French system. Until the Moroccanisation Law of 1973, which restricted foreign ownership, French banks dominated

Today, the French legacy is one of structure so that the bulk of the sector's assets are in the hands of only a small number of banks. Though there are 14 commercial banks, only three - the state-owned Banque Centrale Populaire, Banque Marocaine du Commerce Exterieur and the Banque Commercial du Maroc, the largest bank in the private sector - hold 60 per cent of the banking system's assets. This makes it hard for newcomers or the smaller banks to compete and is reflected in the ket by the seven smallest banks which hold less than 10 per cent of banking aggregates.

The system is highly regulated by the Bank al-Maghrib, the central bank, which still fixes the maximum lending rate. As a result of these controls, the banks have stuck to a traditional role of lending money and taking deposits. About half the deposits held in the commercial banking sector are in non-interest bearing accounts, so an easy way to increase the branch network. Just under 30 per cent of deposits are held by Moroccans Populaire holds about 70 per

cent of expairiate accounts. Although the domestic banks have competed flercely for market share, they are sometimes unkindly known as the sleepy giants. They are now being steered into a more cometitive environment with the introduction of banking

banking law last year. The aim is to liberalise the banking system, which is regarded as a competition are to take hold. which will inevitably result in a reduction of control exer-

Nearly two-thirds of the can-didates for privatisation are from the banking and financial sector with the commercial banks representing 40 per cent. The single largest company due for privatisation is BCP, the country's largest bank. The monetary authorities began liberalising in 1991 by lifting credit cailings imposed

The system is highly regulated and the banks operate under one of the toughest lending limits in the world

by the central bank, interest rates were also liberalised to the extent that banding was introduced and banks were free to set their interest rates within those bands.

However, the result was that the money supply increased by 20 per cent in 1991 with banks, anxious to increase their credit market share, increasing the growth of their loans by 35 per cent compared to the previous year. By the end of 1992, the commercial banks accounted for 60 per cent of credit com-

The strong explosion of credit prompted the central bank to intervene and it did so principally by raising the banks' reserve requirement to 25 per cent on demand deposits and by increasing the overnight borrowing rate. The meaeffect and the rate of growth of

International business requires technical skills and specialists. This level

of commitment and experience enables the Banque Marocaine pour le

Sleepy giants face market

Scheherazade Daneshkhu on the likely impact of banking reforms

per cent in 1992 while credits rose by 11.5 per cent.

The central bank essed the reserve requirement a year ago to 10 per cent (although banks had to place the 15 per cent balance in treasury bonds instead) and in June, the Ministry of Finance lowered the maximum lending rate by 1.5 percentage points to 14 percent, to help stimulate the

The banking law, which has not yet been codified, is intended to improve the supernew regulatory bodies and a guarantee protection fund for depositors. The banking reforms are aimed at strengthening domestic banks and bringing them up to interna-tional standards. New capital adequacy ratios were introduced at the beginning of the year, banks must maintain 8 per cent of their capital against risk-adjusted assets. Banks must also make provisions against a non-performing loan after four months by making a 100 per cent provision against the loan unless there is a guarantee. The measure is being

The banks also operate under one of the toughest legal lending limits in the world. The limit is 7 per cent of net capital funds to a single borrower compared to the usual limit of 25 per cent in other countries. While the limit used to apply to each subsidiary of a company, it is now restricted

introduced gradually.

with most of the banks, which claim they were imposed too suddenly. "The provision is terrible for us," said one banker at one of the largest banks "because we have to increase our capital." Howe the banks are now obliged to do their homework before they lend money by selecting bustnesses which are well-managed and by looking for profitable loans or those giving the hest guarantees. While the reforms

may seem a constraint to the

panies have traditionally found it cheaper to finance themseives through debt, leading to an undesirable capital structure. The new reforms should make it cheaper for them to turn to equities for finance.

Despite the proliferation of measures, there is some anxiety that change is not taking place as quickly as it should. In his open letter on July 14 to Mr Muhammad Karim Lamrani, the prime minister, King Hassan urged a reformulation of financing policy to make

panies. He also called for the development of domestic capital markets through stock market reform and an increase in the range of financial instruneed the infrastructure of suitable instruments, such as capital markets to gain access to foreign investment.

The International Finance Corporation, the World Bank affiliate devoted to private sec-tor investment in the developlish with the CPR group, the Franch investment bank, a Moroccan discount house with six Moroccan banks before the and of the year. It will give advice on the central problem of how to create greater liquidity on the debt securities mar-

development remain modest.

There was disagreement

between the five partners over

the Gulf war and this was heightened when the other

however, is concentrated on its negotiations with the

European Community. Earlier

mbers decided to follow the

Morocco returned to the international capital markets in July through a \$30m Euroloan arranged by Citibank International for Omnium Nord Africain, the country's largest private company. One international banker

says that while there is a lot of interest in the stock exchange from international institutions, progress has been slow which are highlighted by the lack of a developed capital market. "There is not enough syn-chronisation," he said. "While

hanks and cornorations are allowed access to international capital markets and can boxrow money overseas, there is, as yet, no mechanism by which foreign exchange exposure risk can be hedged." Morocco also lacks a money market and a econdary market for fixed income mutroments.

The Casablanca Finance Group, established with backing from Paribas and others, says that there is a lot to do before it can establish itself as the country's first investment bank. It needs to convince investors to turn to the capital markets instead of banks, and also a developed brokerage system and buoyant stock the country's first open-ended mutual fund by the end of the

RELATIONS WITH SPAIN

Madrid investors pack flights to Rabat

may be measured by the fact that business class passengers often outnumber those travelling economy on Iberia's usually packed daily Madrid-Rabat

Mr Alvaro Renfigo, the commercial attaché at the Spanish embessy in Rabet, knows all about the extra space that the airline has had to set aside for Morocco-bound business people. At least 1,000 Spanish executives have pessed through his overstretched department so far this year and more than 400 have made appointments to see

Mr Renfigo says he faces an "avalanche" of potential Span-ish investors in Morocco. The Spanish press regularly reports travellers, in just as many numbers, moving in the opposite direction and under

New investment by Spain in Morocco now outstrips that by France. This year, Spain's quota of foreign trade will rise

very different conditions. Hardly a day goes by without a news story of illegal immigrants being arrested on arrival from Morocco aboard tiny fishing smacks. Frequently, the news is of bodies washed up on on a southern. Spanish beach in the vicinity of Gibraltar.

while France's will fall

The Mediterranean "wetback" saga has all the ele-ments of a North-South drama, mixing exploitation and futility. The Madrid-Rabat flights, which are not nearly so fully reported, tell a tale of intriguing dollar-laden developmen shaped by enterprise and focused on a clear future plan.

Over the past four years, direct Spanish investment in Morocco has moved between the \$40m posted in 1990 to the \$100m forecast for this year. Direct investment already topped the \$100m mark in 1991. largely due to the outlay that year by the Insituto Nacional de Industria, Spain's public sector holding, in Morocco's Fosbucraa phosphate group and it will be back to the \$100m level this year, having slipped to \$40m again in 1992, thanks in part to a recent investment by Banco Central Hispano (BCH), Spain's largest private bank, in Banque Com-

merciale du Maroc. These figures should be compared with those of the second half of the 1980s when direct Spanish investment in Morocco Spain's business invasion of the fruit across to Northern Morocco is comparable only to the one it is waging in Portu-

What is most revealing is that new investment by Spain in Morocco has now outstripped that by France. Whereas French finance entering Morocco is mostly aimed at consolidating existing posi-tions, Spanish capital is fresh and acquisitive.

By Mr Renfigo's reckoning, the evidence of Spain's investmore than 500 Moroccan com-panies which now have Spanish partners. Madrid's stamp Morocco has been empha sized by the trickle-down effect of a 1991 bilateral friendship agreement that has lured major Spanish companies into big Moroccan civil engineering projects on the back of soft credit lines worth \$70-80m a

Meanwhile, it is estimated that this year Spain's quota of Morocco's foreign trade will rise from 8 to 12 per cent while France's will fall from 23 to 21 per cent. Mr Alfonso de Pedro, the representative of the savings bank Caja de Madrid in Casablanca, echoes a widely shared opinion among the expatriate Spanish business community, when he claims community when he claims there is a specific local interest in "redressing the French weighting in the Moroccan

economy". In the main, Spanish business finds itself on familiar territory in Morocco. The present state of Morocco's development, as well as its regulatory anvironment, is not unlike that of Spain in the 1950s and 1960s. There are similarities in the hid to have foreign investment fuel a great leap forward. Mr de Pedro is at present

building up a consultancy and venture capital business on behalf of Caja de Madrid and in partnership with Banque Com-merciale du Maroc. He has recently given the green light to five investment projects that deal mostly with hotel, hypermarket and office develop-ments and he has a further 12 under study, encompassing potential businesses in the agriculture and textile sectors. Spanish investment falls broadly under two groups. The first seeks a low cost production base for goods aimed at the Spanish and the European

The two investment models are present in most sectors. Spanish agricultural groups are developing strawberry Spanish investment in Morocco plantations south of Larache was in the \$3m-\$4m range. which will get the first crups of

markets, while the second is

looking for openings in the

Europe before Christmas, two to three months shead of the early strawberry harvests in southern Spain. Other groups, in contrast, have imported Spanish rice transformation technology to supply the Moroccan market with improved and competitive

In the textile sector the Madrid-based Cortefiel group has begun manufacturing in Morocco in order to supply its Algodoneras San Antonio, the denim material producer, one of the prestige Spanish invest-

ever ignored the cheap labour possibilities and established a highly automated plant which services the local clothing industries.
The clearest indicator to date

of the potential of Spanish investment in Morocco came in-July when Renco Central Hispano invested \$43.3m to raise its equity in Banque Commercent and a further \$6.9m to acquire 2.5 per cent of ONA, the Moroccan financial holding group that also owns 20 per cent of Banque Commercials

du Maroc. The Spanish bank's new relationship with ONA, and its -joint interest with the financial bolding in Banque Commerciale du Maroc, will allow the strategic penetration of Morocco by the wide-ranging industrial interests that come under Central Hispano's umbrella. Some Central Hiscano companies, such as the construction firm Dragados, are already well installed in those in the energy, the agribusiness and the communics tions sectors will assuredly soon be booking their execu-tives onto the Madrid-Rabat

Tom Burns

Whether it's business with Morocco or in Morocco,

BMCE will assist you in finding customers, suppliers, or joint-venture partners, and by providing information on the market or on the cost of investment and production.

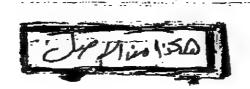
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ON THE edge of the small fishing port of Dakhla, 1,000 kilometres from Rabat, the Moroccan capital, a small block of flats stands empty. According to local officials, it awaits the return of the "lost brothers" those Saharaouis who, since Morocco took over the Western Sahara 18 years ago. chose to flee to camps in south-western Algeria and fight King Hassan's claim to the former Spanish colony.

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The dispute is still far from being settled despite 10 years of intermittent fighting and a UN peace plan launched just over two years ago. Progress on the plan has been stalled by disagreement between the Moroccans and the Polisario Front, which has been fighting for an independent Western Sahara and over who would be entitled to vote on the future of the

On the ground, however, everything has been done to ensure that the Moroccans stay. True figures of investment are not available but a visit to the capital of the territory, Leayoune, and to Dakhla, to the south, underlines the extent of Morocco's determination.

Laayoune, which in 1975 boasted a gov-ernor's residence, a traditional Spanish style hotel, a brothel and thousands of shacks for the natives - indeed it was more reminiscent of the wild west than anything else - has been turned into a bustling town of over 180,000 people, thronged at lunchtime and in the late afternoon with children going to and from

A new airport has been built, while a

Francis Ghiles finds that the Moroccan government is determined to keep the territory

Acts of faith in Western Sahara

new and slightly vulgar hotel has been added to the parador, where the availability of peanut butter at breakfast is a sure way of detecting the Canadian and American members of the Minurso (United Nations Mission for Peace in Western Sahara), whose haadquarters lie just below the parador.

UN marked aircraft at Laayoune and Dakhla airports also remind the visitor of the dispute, as does the fact that his passport is checked on arrival and departure for domestic flights.

Unofficial estimates of investment in roads, hospitals, schools, water ducts and other civilian projects are put at between Dh20bn and Dh20bn. Even these figures, however, are underestimates as soldiers

are often used, at no cost to the state. To those Saharaoui town dwellers who chose to remain and pay allegiance to the Moroccan crown were added the nomads who, in the late 1970s, were driven to the towns by the severe drought andured by the Sahel region of Africa. Despite Moroccan government efforts to help such people reconstitute their camel herds, the nomadic way of life is, here as elsewhere, a victim of modern political and social

The effort to spread literacy and ensure a minimum of health is impressive. A second hospital is about to open in Laayoune, and the province itself boasts a further

four. Each has 220 beds. Four smaller health centres exist in Lasyoune alone. Medicine and all consultations and operations are free in the Western Sahara. Laavoune's hospitals appear well run.

built from scratch. The pasha of Dakhla, the genial Si Mohamed Fadhel Semlali, points to a few remaining Spanish buildings, including an ugly 1950s style Catholic church still inhabited by an old Spaniard who has apparently decided he is going to die in the place, around which he said that about 90 Saharaoui families lived back in 1975. Dakhla was taken over by

Daithia feels like the back of beyond but boasts one asset that, were the status of the Western Sahara to be settled, could be of great importance: some of the world's richest fishing grounds

staffed by well-trained Saharaoui doctors and Moroccans from the north.

The 900 children who went to school in Spanish days have become 32,000 today, Lazyoune boasts 27 primary schools, five lycees and a teachers' training college. The authorities say that 90 per cent of those in age to attend school in Laayoune do. Spanish has been forsaken as a foreign language to be replaced by French and, increasingly, English. No foreign teachers, however, have yet been allowed to practise in the territory.

Dakhla, which is now twinned with Rambouillet near Paris, has been virtually

Mauritania then and handed over to Morocco in August 1978.

The town now has 30,000 inhabitants and sits near the tip of a 40-kilometre-long tongue of sand between the rolling Atlantic waves and a deep laguna. It feels like the back of beyond but boasts one asset which, were the status of the Western Sahara to be finally settled, could be of great importance; some of the richest fishing grounds in the world.

Indeed, the oddest sight in Dakhla is that of two Japanese visitors. Japanese, Korean, Russian and Spanish vessels fish offshore, some legally, others not. The

prize here is squid, a great favourite with Asian consumers. In Dakhla itself a few small plants, such as Fishgod, set up by a Mr Salem Amghayer in 1989 operate, but the absence of a fully equipped port means that most of the fish or squid caught offshore is treated in Agadir or Tan Tan. much further north on the Moroccan coast, in the Canary Islands which lie offshore or on the ships themselves.

How much people who have traditionally been nomadic and turned their back on the sea can be turned into fishermen and businessmen remains to be

Fishing could also provide a basis for tourist activity, though to date there is little of that other than passengers transiting through Laayoune to and from the Canary Islands and northern Morocco. The Dakhla laguna, its beaches and the opportunities for serious fishing might well attract an international hotel group. However, such an outcome appears unlikely so long as the dispute continues. The authorities in Dakhla have built a four-star hotel but for some reason have done so in the middle of the town, away from the heach and in such a tight location that the compound boasts no garden, no large swimming pool and no seashore to step out to. No wonder they are finding it difficult to find a company willing to manage such an establishment which otherwise is soberly decorated and built to high standards.

Dakhla has also to do a lot to ensure running water in most homes. The town is lucky as it sits on a large underground aquifer of sweet water. On the other side of the laguna the king has set up a farm where built, including winter melons, and vegetables are grown using state-of-the-art irrigation technology. Much of the produce is exported to France.

The rich phosphate deposits at Bu Craa. 70 miles inland from Laayoune, are still exploited and the rock treated at a plant outside Laayoune before being exported but the depressed state of the market currently makes such wealth of little

importance in providing new jobs.

The considerable resources that Morocco has poured into developing the Western Saharan provinces - whose population includes Saharaouis and many northern Moroccans who can earn tax-free salaries while working there - constitutes an act of faith. Traditional ties of allegiance between the Moroccan sultans and tribal chieftains have been buttressed by Rabat's continuous efforts to reinforce its physical presence and win the hearts and pockets of the Saharaouis. Whatever their innermost feelings might be, they have been offered more in terms of health, education and general well-being than many of their northern brethren.

The importance of the informal sector

Hub of undeclared activity

ALTHOUGH It has been suggested that production of goods and services in Morocco's traditionally flourishing informal sector may amount to 70 per cent of official gross domestic product, academics and businessmen believe that 30 per cent is a more realistic figure. No one, however, is in any doubt that this sector plays a key role, providing hundreds of thousands of jobs. The fact that it thrives helps to explain why, despite two years of drought and declining GDP, the kingdom has so far not

witnessed any serious social disturbances. Morocco's national accounts revalue the statistics they receive by a coefficient to take account of the informal sector: the value of manufacturing is thus raised by 14 per cent and that of the building sector by 15-20 per cent. This figure is

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In some sectors, the percentage of activity accounted for by the informal sector is more precisely measured - it accounts for 36 per cent of all clothes manufacturing, 30 per cent of all food processing and tobacco, 16 per cent of manufacturing of upholstery; 28 per cent of transport of goods, 25 per cent of hotel business and 19 per cent of all activities grouped until the broad name of "repairs". These estimates date from 1988 but the Direction de la Statistique in Rabat feels they hold true

Under the name "informal sector" may be found a multitude of shis. First and foremost is the US\$2bn estimate of hashish exported every year to western Europe from the north-west Rif mountains number of permits to build. Not all that money is rein. Ceuts handles an estimated pointing to the fact that tax

vested in the local economy, but the price of real estate and the impossibility of finding builders in Tanglers, Nador and the Spanish enclave of Ceuts are enough to convince any observer that a lot of money is washing around.

Money from this source must be added to that made from illegal imports through Ceuta and the other Spanish Mediterranean enclave of Melilla, which it partly finances. Alcohol around these ports fetches one-third of the price it does in Casablanca. Moroccan buyers have access to all the latest hi-fi, computers and white goods they can afford on the ree market in Casablanca these goods are much cheaper in the north. In recent years a thriving market in cars stolen. in Europe has developed, often brought in by Moroccan emigrés in France or Belgium who have been made redun-

Another source of informal money is the selling of fish caught by Moroccan vess foreign fishermen on the high seas, in exchange for foreign currency. Precise figures are impossible to obtain, but

observers believe that a few

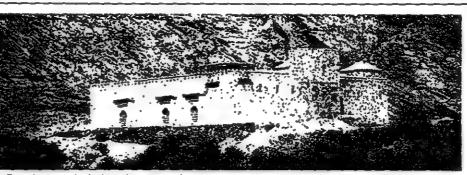
hundred million dollars would

not overstate the volume of

that particular trade. Customs officials are unable to prevent the smuggling nor their modest salaries -Dh1,600 a month with only a further Dh0.35 per extra hour of work - suggest they have the incentive to try. The figure of tonnage unloaded in several Moroccan ports is thus

believed to underestimate the

true weight and value of cargo. An estimated 450,000 informal jobs exist in manufacturing, worth at least Dh30bn. Moroccan industrialists readily admit that a third of what they



The Timmel mosque in the High Atles mountains, the cracle of the Almohade dynasty

inspectors are so harsh in their treatment that they encourage people to cheat. As in Tunisia, tax inspectors seem to consider private entrepreneurs a bunch of thieves. Another reason why industrialists and those in the service sector conceal their activities is the stringent nature of the labour laws, which make it difficult and expensive to fire employees.

The reaction of local manufacturers to illegal imports varies. General Tire, for instance, is not best pleased to see Goodyear tyres smuggled in from the Canary Islands. Others are less worried because their own brand prod-

One important factor in all this is that Moroccans often prefer imported products to locally manufactured ones. even if they have to pay more because they reckon they are getting better value for money. They are not always wrong. As for paying added value tax, wholesalers may have to, but the many small shops do not. In a country where two-thirds of the population is unable to read or write, imposing VAT across the board would not be

practicable. It is important to bear in mind that local family networks dominate much of Morocco's activity, even in blanca. Many laws enacted by

the French or the new state were quite inapplicable from the start. Today few Moroccan industrialists who are in dispute will go to court because the legal system is erratic, slow and often corrupt. Rather, they will resort to one of their peers who is respected both for his sense of fair play and knowledge of the matter which

The consequence of the past two years of drought are interesting in this respect. As farmers were forced to sell their cattle to make ends meet, the price of red meat was pushed down. But official slaughterhouses did not change their into illegal slaughtering and

selling. Butchers thus bought directly, bypassing the slaughterhouses. Such transactions are often agreed to by the powerful Mouktassib, the corporation which traditionally checks the honesty of transactions, the quality of goods, notably food, and their conformity with religious edicts.

Appointed directly by provincial governors, the Mouktassib, whose powers were reinforced by royal decree 10 years ago, appear to many Moroccans to be more attuned to the real needs of Moroccan society than many of the

The informal sector is in many respects a safety valve for Moroccan society. It supplies flexible jobs at a fraction of the cost of the formal sector. Yet, one of the tests of the progress Morocco makes as it modernises its economy will be the authorities' capacity to ensure a more open and accountable system. That does not simply mean bringing the private sector to heal: it also means that the authorities will behave in a fairer and more open manner with all Moroccan citizens and companies.

Francis Ghiles

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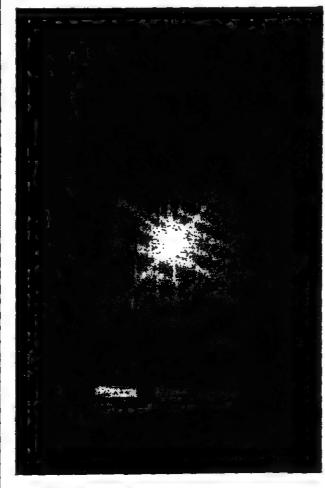
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AT THE implausibly named Bogart factory in the industrial zone just outside the centre of Casablanca, the Made in Morocco label is diligently stitched into children's Levi denim clothes destined for France. Mr Mohamed Tamer, the factory's owner, says that he has been fortunate in the current recessionary climate to have experienced stagnant rather than falling

Morocco's industrialists have had a tough year. The country's gross domestic ct feil in 1992 in real terms compared to the previous year, while total exports experienced a 9 per cent drop to Dh33.6bn (\$4bn). The government expects exports to fall further in 1993 although gross domestic product should grow by 3 per cent. The second year of drought has taken its toll on production and on domestic purchasing power while exports have suffered because Europe, which is Morocco's main market, has been in

Members of the Office of the Federation of Industry set out their grievances to the government, in the shape of Mr Abderazzak Mossadeq, secretary-general of the Ministry of Commerce, at a seminar in

The main complaints were the progressive removal of tariffs against imports, the high cost of energy (including periodic power cuts which are particularly disruptive to textile manufacturers) and high interest rates. Externally, the industry representatives were unhappy about the trend towards increasing

protectionism in overseas markets, depressed worldwide demand and competition from smuggled goods.

While acknowledging the grievances of the industrialists, Mr Mossadeq inclines towards the opinion that there is not much that the government can do. He saws much that the government can do, He says that real rates of interest are about 10 per cent and the government itself is bor-rowing money from the World Bank at 10

Though he admits that the cost of energy is high, that is a problem which everyone faces in Morocco, which does not have the fortune to be a part of the oil-rich

With privatisation a buzzword, the state in Morocco is distancing itself from the industrial sector. Mr Mossadeq says that the government no longer has an industrial strategy because that implies dirigisme. Things have changed since the 1960s when it was forced to intervene because of the lack of a private sector. "I was at an African ministers of industry meeting recently and everyone

was talking about privatisation. But you

need a private sector before you can privatise which is why the state first invested in industry and is now retreating," says Mr Mossadeq.

Although the government would like to see greater vertical integration, particularly in the textile and garments sector which is heavily dependent on the import of raw materials, Mr Mossadeq says that electronics. Of these, the agro-industry and chemical industries contribute the most to industrial production, with a share of roughly 32 per cent each in 1991 but textiles and leather are the largest industrial export, accounting for 38 per cent of industrial exports in 1991. With 180,000 employees, the textile and

Manufacturers are worried by increasing protectionism in Europe. Half of the goods manufactured in the textile industry are exported and 80 per cent of these exports go to France

the government can only try to create the conditions in which industry might prosper by measures which include providing technical centres to improve the skill of the labour force.

The manufacturing sector is the second largest contributor to the country's gross domestic product, accounting for over 18 per cent in 1992 and overshadowed only by commerce with a contribution of 21.4 per

(food-processing), textiles, chemicals,

leather industry is also the largest industrial employer, accounting for one third of all those employed in industry. The industry's labour costs are the lowest of any Mediterranean country with privileged access to the EC. It also has the advantage over its south-east Asian competitors of proximity to Europe, which ans lower transportation costs.

Manufacturers, however, are worried by increasing protectionism in Europe since they are heavily dependent on the European market for exports. Some 50 per

Recession in Europe hits industry cent of goods manufactured in the textile-industry is exported and 80 per cent of these exports are to France.

Mr Mohamed Lahlou, vice president of Manatex, one of the country's longestestablished textile companies, and president of the Moroccan Association of Textile industries, says that the industry has suffered as a result of the devaluation of some European currencies, notably the Spanish peseta, the Italian lina and sterling. The leather industry saw a 10 per cent fall in exports in 1992, with shoe sales performing particularly weakly with a

drop of over 20 per cent.
Investment in the whole sector fell in
1992 for the second consecutive year. partly as a result of high interest rates. and Mr Lahlou has criticised the government for its passive attitude towards the problems facing the sector. By contrast, the sector which enjoys the largest investment is the chemical and pharmaceutical industry which accounted for 38 per cent of all industrial investment in 1991. The sector includes the phosphate industry, controlled by the influential state monopoly, the Office Cherifien des Phosphates (OCP).

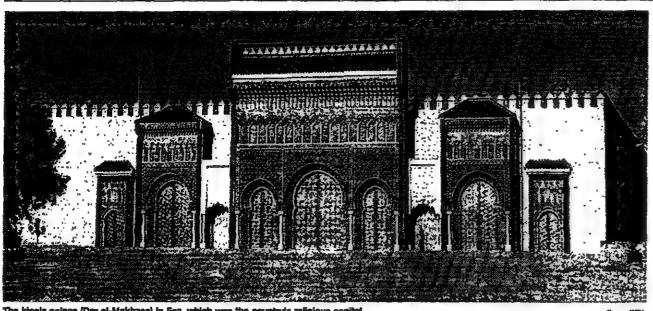
Phosphate exports dropped to Dhagan last year from Dhitan in 1991 and are expected to fall further to Day in this year. The industry has not been aided by a drop in international prices from \$42.5 a tran at the beginning of 1992 to \$38 in May this year. -

Despite a fall in the phosphate sector's share of total exports from 43 per cent in 1983 to an estimated 24 per cent in 1993. Morocco remains the largest exporter of phosphates in the world and the proprietor of the world's largest phosphate reserves.

The most optimistic industry is the metallurgy, mechanical, electrical and electronic sector which has seen production increase from Dhill 20n in 1988 to Dh20.3bn in 1991, on the back of strong investment which has almost doubled over the same period while exports have risen almost threefold. The industry is hoping for further growth this year.

Although some industrialists are calling for a devaluation of the dirham to help exports and the reimposition of higher tariffs to protect domestic industries from outside competition, the government appears unlikely to adopt either measure industry will have to weather the recession both at home and abroad and hope that the trend towards lower domestic interest rates will continue in order to aid both production and investment in the coming years.

Scheherazade Daneshkhu



A guide for the businessman

Francis Ghiles on what to look out for on your visit, and what to avoid, how to get there, where to stay and what to eat

The country and the climate MOROCCO lies on the north-west corner of Africa, three hours' flight from London. It is the oldest kingdom in the Moslem world, the present Algoui dynasty having been in power for more than three cen-

The climate varies considerably, from the northern coast, which is Mediterranean, to the old imperial city of Marrakesh at the foot of the High Atlas mountains, which is a favourand boasts dry, temperate win-

ters and very hot summers.

Along the Atlantic coast, the temperature is usually mild and often very damp, especially at night and during the winter. Morocco has a great variety of mountainous ranges, the highest peak, Jebel Toubkal, rising to over 4,000 metres.

The region beyond Agadir is true desert climate, more pleasant to visit in winter and spring than summer. The resort of Agadir is open all year round and boasts 300 days of sunshine a year. Most of Morocco's 27m people are of Berber stock and speak Arabic. French is commonly spoken, though not in country areas.

Getting there Most major western air companies fly to Morocco. Royal Air Maroc and GB Airways flights from the UK. Visas are not required for European Community citizens. The Dirham currency cannot be bought outside Morocco. Business hours

Moroccan companies and administrations work a fiveday week, from Monday to Friday, with a slightly longer

lunch hour on Friday to allow those who wish to pray. During the Ramadan fast, which lasts one month, it is best to avoid travelling to Morocco. In winter, hours of business are Sam to noon and 2pm to 6pm; in summer (end of June to end of September) the hours are Sam to 4pm. Car hire

Cars are easy to rent at major airports and hotels, but do not expect them to be in perfect condition. By European stan-Roads between major towns are good, though often narrow. A fast and regular rail service and a motorway now connect the political capital. Rabat, to the economic hub of Casablanca, 100 kilometres away.

Hotels are easy to find and in general not expensive, espe-

GB dirways.

cially if you get a discount from the official price. However, many four or five star hotels do not deserve their rat-

In Rabat the choice is between an overpriced Hyatt Regency and the Tour Hassan, whose five-star de luxe rating is a standard joke. In Casablanca, the Royal Mansour remains true to its grand style and excellent service, while the Sheraton and the Holiday Inn offer good value. The Idou vide good average comfort and service. On the corniche, just outside the city, the Riad Salam is an attractive hotel.

In Marrakesh, the world-famous Mamounia underwent a refurbishment 10 years ago, which was not a success. though its reception rooms, restaurant and garden remain

very attractive. The four-star Hotel Nassim provides excellent service at competitive

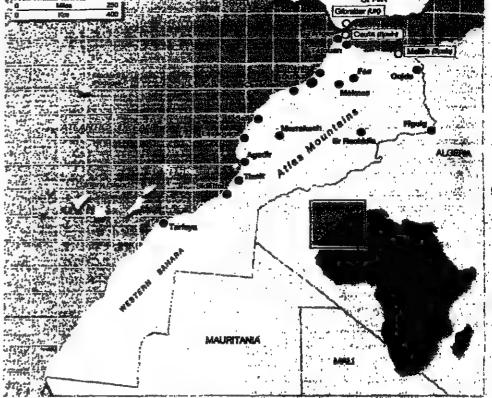
Taroudant, in the southern foothills of the Atlas, hoasts the Gazelle d'Or. a perfect resting place for the seriously rich. set in gardens outside the small walled town. In Fex the Palais Jamai provides spectacular views of the old religious capital of Morocco, though the service it offers is unworthy of its five-star de luxe status. The Minzah in Tangiers remains, arguably, the most attractive hotel in Morocco.

Eating out Moroccan cooking ranks, alongside Turkish food, as the most refined in the Mediterranean. Good French and Italian food is also available in the large cities. You can safely shop by the roadside and eat "keftas", skewers of meat

Casablanca boasts one outstanding French establishment, Ma Bretagne, on the corniche just outside the city. Other good French restaurants include Neroli (which has just been taken over by Pierre, as one of Casabianca's oldest French master cooks is known), Le Pretexte, Le Volubilis in the Royal Mansour Hotel and La Gondole in the Centre 2000, near the railway station. This establishment is run by Pierre Viaud, who left the Le Cabestan, where he was chef, to open his own restaurant. The food at Le Cabestan has not recovered. For Italian food, try Le Valentino in the Hyatt Regency Hotel or Le Fellini and for Moroccan food, Al Mounia. Le Pekin offers good Chinese food and Le Beyrouth

In Rabat, L'Entrecote et le Vert Galand offer good French food. In Marrakesh, L'Orangerie offers fine French food, Villa Rosa good French and Italian fare; for traditional Moroccan food, the Yacout and Tobsil are best. Arts and crafts

The variety of crafts in at the factory gate.



Morocco remains great. Carpets are plentiful and varied but the wool they are made from is not always of good quality. Good pottery from Pez. which is famed for its intricate bleu patterns, can be ordered from Hidaya Tazi in Casablanca (tel 445638); excellent pottery can also be found in the Potteries de Sale which are to be found in Rabat, at the foot of the old walled medina. The town of Safi also has very

attractive wares. in most big towns but haggling in the souk, while time-consuming, can be rewarding. The Habous district of Casablanca has a wealth of traditional jeweliery and caftans. Casablanca also provides scope for getting good leather artefacts, which are cheaper if bought directly

Morocco has many modern painters whose works are keenly sought in Morocco and abroad. Galleries suck as Bab El Rough in Rahat and Meltan in Casablanca are worth a visit. Unfortunately, no

museum regularly displays

such works, which can best be seen in the private galleries of the Banque Commerciale du Maroc or the Office Chariffen des Phosphates. Economics :

about Morocco, the best source is the weekly L'Economiste. whose reports and analysis are very reliable. The Centre Marocain de Conjoncture produces regular studies on the state of the economy but they are rather too academic-for the average businessman. New financial services such as

blanca Finance Group (tel 441244), both in Casablanca,

Books to read John Warterbury's Commander

of the Faithful, unfortunately out of print remains as good a guide as any to the monarchical system of Morocco. Wynsham Lewis's Travel in Barbary is a wonderfully evocative cription of the Berber socisty of southern Morocco.

Marachia, Delenseur du Trans provides a good political introduction to the kingdom while Bruno Etienne's Les Arcane anat recently published by the French cultural review Autrement (September 1990), is a pointed analysis of how King Hassan exercises his consider able powers.

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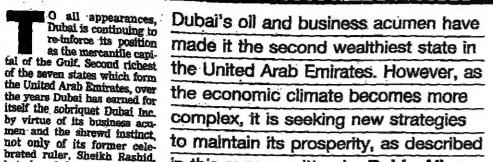


but also of the merchant com-

FINANCIAL TIMES SURVEY

DUBAI

Wednesday November 3 1993



in this survey written by Robin Allen

minity as a whole.
It has also benefited - and continues to benefit - from a healthy surplus of capital from oil revenues, which has enabled the government, the ruling Al Maktoum family, to build the best infrastructure capital of that money can buy. Under Sheikh Rashid, Dubai has also equipped itself with industrial facilities on a par the Gulf with the best in the world, a tradition continued by his sons

with the creation of a Free Zone Authority and industrial area at Jebel Ali and the estab-In addition, the government lishment on a commercial basis of Dubai's own airline. The combination of capital wealth, personal commitment, and sheer hard work have helped to provide Duhai with a freedom to make its own decisions within the federation in its formative years, and have subsequently enabled it to keep going through two regional wars and the collapse

of oil prices in the mid-eight-These conditions, not least the availability of continuing reserves of capital, are changing, however. To compensati the government is trying to enlarge and improve on devel-opments that have already taken place. The government's Economic Department, set up in July 1992, but only really in operation since June this year, has the job of overseeing the management of some of the government's onshore industries, of representing Dubai at federal meetings where legisla-tion is drafted, and, of most immediate importance to the business community and

potential investors, of stream-

lining the trade licence regis-

tration process, a source of.

considerable ambiguity and

frustration in recent years.

Mercantile

continued regional political

the Economic Department's

ability to live up to the

the progressive implementa

business legal framework;

tion of a coherent and effective

■ the peaceful development of the federation and of Dubai's

a guarantee of continuing

dant sources of energy at

The successful resolution of

the 1990-91 Gulf crisis removed

doubts in investors' minds

over whether the west would

intervene in a crisis, and

instilled a degree of confidence

about the Gulf which had been

Iran's occupation of, and

claims on, three UAE islands

near the strait of Hormuz, has

not so far led to anything more

than curt exchanges of diplo-matic notes, and resolutions

from foreign ministers of the

six-member Gulf Co-operation

Council Iran's apparent deci-

sion to invest in expensive

weaponry at a time when it is

thought least able to afford it,

and for motives which are not

These problems are so sensi-

demands made on it.

role within it.

affordable prices.

previously lacking.

has been spending a lot of money to improve the road network and other infrastructure; and its commerce and tourism promotion board is waging an effective campaign to attract more investors and tourists, the overall aim being to create an economy based on self-sustaining tourist and regional services industries, for an era when the cushion of wealth from oil revenues is no longer

On the investment front, it is intended that the Economic Department should develop into a one-stop shop where it will be possible to establish a limited liability company. Many businessmen still complain, however, about the amount of time-consuming paperwork, and the cost - Arabic translations at Dh100 (\$27) a page - when it comes to the enactment of a coherent legal

Taken together, these measures should ensure that Dubai retains its prominence, if not cantile capital of the Gulf. But be fulfilled and a number of potential weakne may make it more difficult to cern - but so far nothing more. keep the strategy on course.

cials refuse to discuss them. This is partly in deference to Abu Dhabi and the federation. Foreign affairs comes within the jurisdiction of the presidency, that is to say, Sheikh Zayed in Abu Dhabi, where it is reported there is a real fear of Iran trying to extend its physical control over other Arab Gulf islands.

Dubai is thought to share this apprehension, but not to the same degree. The trading links between Dubai and Iran are historically very strong, and the relationship deeper and more subtle than that between Abu Dhabi and Iran. Other matters of foreign pol-

icy, including the US policy of "dual containment" of Iraq and Iran, are not ones which Sheikh Mohammad Bin Rashid, the defence minister, is prepared to discuss. But it is known that as a result of the Gulf war, he is a leading proponent of a much greater depth of co-operation between member countries of the GCC, and continuing links with the US and the west. The UAE and particularly its president Sheikh Zayed, was one of the staunchest supporters of the US-led coalition.

The outline peace agreement between Israel and the Palestine Liberation Organisation falls into the same category. Critics of the modern form of tribal leadership, of which there are a few in Dubai, contend that the system of government by word-of-mouth and by telephone, is inadequate for the administration of a modern state. There is no legislative assembly or consultative council within Dubai - where the mailis, or open session held by the shelkhs, acts as an alternative forum for discussion, and To be present at one such majlis is to see tribal democracy in action at its most basic level. On the other hand even crit-

ics acknowledge that in a state as small as Dubai, there is enough delegation of authority to individuals and institutions for the state to function sufficiently well. By contrast with some of its neighbours. Dubat's public administration is

smooth and efficient, and bet-

tive that in Dubai senior offiter than some European coun-

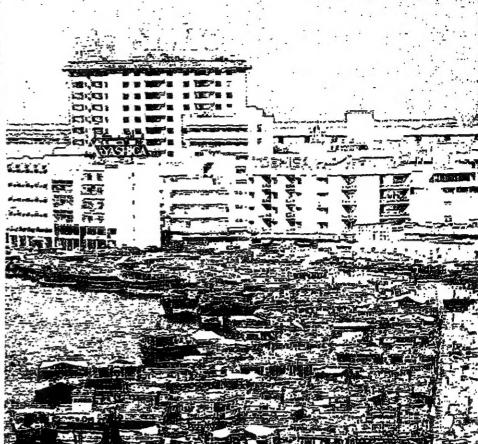
> Where tribal leadership falls short - and Dubai is only one small example in the whole of Arabia - is in its inability to decentralise authority, and to make the most of existing opportunities. Industries such as Dubal, a state-owned competitor on world markets; Dubai Drydocks, a successful and apparently profitable afternative to Singapore's ship-repair facilities; and Emirates Air, a fast-growing airline, are all in need of capital that public shareholders could provide but have never even published a balance sheet. They should have been partly privatised

The UAE as a whole does not yet have a formal stock exchange. Private capital, and not least that belonging to the ruling families themselves, could be harnessed to gel with Dubai's sizeable and hugely wealthy business community to create a state of sharehold-

There is indeed scope for the for the UAE - which last year saw such an outflow of private capital that it ran a balance of payments deficit for the first time since federation - to work with the GCC countries as a whole, to create a GCC-wide

capital markets. For day-to-day government, Dubai's ruling family is more than adequate. It is respected and the rulers have their their ear to the ground. There are no Islamic pressures of any significance, at least for the time being. And when it comes to relations with Abu Dhabi and the federal authorities, natural evolution suggests that Dubai's autonomy will continue to lessen by degree.

The key long-term challenge for the leadership may be to instill in today's youth the drive and commitment that has characterised the emirate for the past 30 years. Several statements from anxious federal officials suggest that the next generation is not being sufficiently prepared for the day when the Dubai government will not be able to support so many subsidies, or cre ate so many opportunities by a simple expenditure of capital.

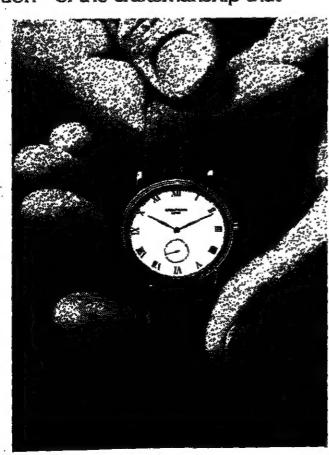


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CONGRATULATIONS!

ption

s to their camp. ters of the Social party, the largest est constituencie they share the malists' preference the former Social their seats in the puld do less badis

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THE ECONOMY

New strategy for a different era

dependent on oil revenues if covernment aspirations are met, the self-sustaining economic base will rest on three factors: traditional trade: the leisure and business tourist industry; and the continuing growth in the number of companies choosing Dubai as a regional services and light industries centre.

But four essentials must be met if these ambitions are to be realised. First, there has to be regional political stability: secondly, there must exist a coherent and effective legal framework within which all kinds of business can flourish: thirdly. Dubai must have abundant energy supplies at affordable rates: and lastly it must rest comfortably within the

UBAI'S manufacturing

industries have devel-

oped on the back of the

finest sea and air communica-

tions in the Middle East.

Dubai Aluminium (Dubal) and

industries located in the Jebel

Ali Free Zone depend on the

ports. These are Dubai's life-

line. The tanker traffic and the

commercial shipping in turn

create the business for Dubai

ing base, but what is lacking in quantity is to a large extent made up in quality. Dubal;

Dubai Cable Company, a 60-40

joint venture between the government and the BICC group

of the UK which operates and

manages the company; and

Dubai Drydocks are all indus-

In little more than two

decades Dubai has become one of the top 15 shipping centres

in the world container port

traffic league and the redistri-

In May 1991, the two ports

bution hub of the Middle East.

of Mina Rashid and Jebel Ali.

35 kilometres south of Duhai

city, were merged to create

Dubai Ports Authority (DPA).

headed by Mr Sultan Bin

Sulayem who is also chairman

of the Jebel Ali Free Zone

Authority (Jafza). By the end

of that year, container traffic

had increased 37 per cent to

ton 1m TEUs (twenty foot

time. Last year, container traf-

48 per ceut, and this year

have 102 deepwater berths.

handled more than 12m kilos

of sea-air cargo. DPA claims

tion and Development coun-

tries. Despite the tight market,

1.6m TEUs.

Manufacturing industries located in Dubai represent only about 25 per cent of the country's non-oil manufactur-

federation even if it retains on which it built its reputation as an entrepot; and the airdegrees of autonomy on differcargo terminal which has a capacity at present of 250,000 For the past five years, tonnes a year. Greatly expan-ded over the years and always Dubai's non-oil trade - the traditional core of its economy - has been growing at an annual rate of more than 20 being improved, they allow Dubai's life-blood to flow.

per cent, official statistics

cent of the UAE's total trade.

Just over half is with Asian

countries; almost 30 per cent

with Europe. For 1992 alone, imports totalled almost Dh60bn

The main entry and re-ex-

port points are Port Rashid, a

large and extremely efficient

container port with an average

re-export turnaround time of 24

man-made container harbour

in the world: the dhow traffic

and re-exports almost Dh9bn.

Political stability, of the kind that has existed since the end of the Gulf war, is vital

The funds generated by this

trade are several times greater Dh70bn compared with some Dh10bn - than revenue from crude oil and gas. "The funds for all this activity are entirely generated in the market," says Mr Bill Duff, chief financial

Accounts Office. "They are not subsidised by the government whose oil revenues have to be concentrated on improving the infrastructure to cope with the increase in load."

Dubai's re-exports are greatly helped by periodic problems in Iran such as the imposition of quotas which limit imports. These may make it more difficult for other traders, but Dubai is near enough and with sufficient experience to give its Iranian community the necessary flexibility to take advantage of them. The Iranians themselves realise Dubai's special role, for when they stipulated that all imports to Tehran and Bandar Abbas should go direct rather than through middle men, Dubai was

points out, is in cash invest-ments "which you have to try to stabilise". So to a very large extent is tourism and the investments made by foreign companies which choose Duhai as the preferred centre from which to service the wider Mid-dle East and West Asia, the Indian sub-continent.

Continuing political stability in the region, of the kind that has existed since the end of the Gulf war, is therefore vital while Dubai finds ways to attract more - and more valu-

able - investments. The advent into Dubai of so many companies, particularly in the past 21/2 years, has in turn unleashed a property boom in both house construction and rentals. Rentals, some businessmen insist, have risen

Sulayem, however, the prob-

But the bureaucratic hurdles

have been formidable. First.

the company concerned has to

get a certificate of origin from

the UAE Finance and Industry

Ministry. Next, the paperwork

has to pass through not only the Dubai chamber of com-

merce - a relatively very

straightforward process - but

also the GCC secretariat in

Riyadh and then it must be

approved by the Saudi cus-

Meanwhile, because Dubai

sticks to its belief in a free

market and refuses to protect

its industries, the manufac-

turer has to compete with

manufactured goods from

neighbouring countries.

including Saudi Arabia, which

benefit from high domestic

tariffs, cost more to produce

but still sell at a profit in their

own domestic markets, which

enable their owners to dump

lem is being resolved.

and, more importantly, profits. These, however, are cyclical factors. Of greater concern in the longer term is that these markets - houses. service offices, commerce - could decline as rapidly as they came if the right conditions are not established within Dubai to tempt more fixed investment.

The government needs time to expand the infrastructure and the private sector needs time to consolidate the commercial gains of the past few years. Both of these factors are in play partly because the prolonged recession in the west has encouraged more and more companies to venture into the expanding Gulf market. Hence the phenomenal interest in regional exhibitions, including the forthcoming Air Exhibi-

the UAE's) need for more fixed investment in non-oil industries is to acquire the high technology industries that come with offset programmes. But as one visiting representa-tive, in Dubai to discuss offset proposals, said: "High technology industries are not like an invention. You cannot create one and then leave it. You need the talent on-the-spot to run it and develop it further". A source close to the govern-ment added: "Technology

One answer to Dubai's (and

transfer and diversification are all fashionable to talk about, but they have to be viable before they set up here because they cannot rely on government subsidies. Common sense and business acumen are Dubai's greatest assets, and these are what we should build

Mr Alabbar has earned the title of the government's economic troubleshooter

Overall strategy for Duhai's economic development for the next decade is with the recently-formed Dubai Government Economic Department and Mr Mohamed Alabbar, its directorgeneral. Although best known to Dubai's business community as the man expected to streamline the process of issuing business and office licences (and the principal target of their complaints when expectations are not immediately met). Mr Alabbar has an awesome task dealing with many other sues, for which he has earned the title of "the government's economic troubleshooter.

He is credited with having turned round the government's property and other investments in Singapore which it inherited from the Dubei entre-

having rationalised the structure at Dubei Aleminium Company, which he continues to direct. But the Economic Department under his direction also has to oversee other government onshore investments, and represent Dubai at meetings of federal committees where all types of draft legislation are discussed, including the extent to which individua emirates retain degrees of However the care of his

preneur Mr Abdul Wahah Gala.

dari; and more recently with

responsibilities lies with trying to streamline the licensing pro-cess for companies wanting to register or to renew registra-tion. His goal, he says, is to provide companies with their registration certificates within 48 hours of application and requests for information by fax on demand. This is ambitious to say the least given the amount and complexity of forms required, and the need for his staff to undergo "customer service training." But by and large the business community acknowledges that preg-

Mr Alabbar says that a lot of. visible to the business commu nity. His department is involved in continuous federal committee sessions and it is in these where Dubei's voice is

He is quick to point out that many of those who sit on led-eral committees have been at school together, and that Dubai's relations with other emirates at federal level are fundamental to its aconomic

DEFENCE

Facing up to realities *

AFTER almost 22 years of federation, Dubai's defence is inextricably bound up not only with that of the United Arab Emirates, but in a wider sense with that of the Gulf Co-operation Council (GCC) too. So defence forces stationed in Dubai are referred to, by virtue of their geographical location at the centre of the federation, as Central Military Command (CMC), even though direct authority over CMC is via a chain of command containing only names from Dubai's rul-

ing family, the Al Maktoum. CMC's ground forces consist of as many as 15,000 men, out of a total UAE federal army of 50,000, according to the London-based International Institute for Strategic Studies. Up to 80 per cent of CMC is comprised of Omanis from the Batinah coast in the northern part of the country, and the halance from Dubsi.

The ground forces include an armoured regiment equipped with Italian-made Ottomelara tanks of German design with 105mm guns and British Scorpion light-track tanks; two infantry brigades; and an antitank regiment plus artillery. The air force includes an air defence regiment and the Air Wing which has British-made

chief is Sheikh Ahmed Bin Rashid Al Maktoum, the youngest of the four sons of Sheikh Rashid, Dubai's former ruler and brother of Sheikh Mohammad, the UAE's minister of defence who was recently promoted to full general by Sheikh Zayed, the UAE president and ruler of Abu Dhabi. Sheikh Mohammad is reported to take a very close interest in CMC, as well as

exercising financial control. The two deputy commanders are Sheikh Ahmed Al Mak-

The historical role of a Dubai army has been to protect Dubai itself

toum and Sheikh Butti Al Maktoum, brothers who are close relations of Sheikh Maktoum, Dubai's ruler. Both deputy commanders have passed through Britain's officer cadet training college at Mons near Aldershot. Of the two, Sheikh quently referred to as the day-to-day commander of CMC. All of the other senior officers, NCOs and warrant officers are from Dubai, although there are Egyptian and Sudanese training officers plus a

few British, seconded or on The historical role of a Dubai army has been to protect Dubai itself and, given the authority wielded by its ruling family, the tradition of relain ing command and control is

very much alive. But today's demands on the UAE impose their own realities on CMC to which it has responded. During the Culf war, CMC would have been in a state of complete readiness. it also provided a large squadron - some 120 men - for a bettaiton-size force which the UAE contributed to the US-led coglition. This hettalion was engaged at Khafi on the Saudi-Kuwaiti border, and took some casualties. Today, CMC has a large squadron as part of the UAE force attached to the UN

forces in Somalia. Although Abu Dhabi is thought to bear some of the cost of maintaining CMC, the overwhelming charge is to Dubai's account, and this rapresents a significant part of Duba's direct contribution to the UAE federal budget.

mad, the HAE defence minister, is from Dubai also gives CMC a political dimension. Like other senior figures in the federation, he is reported to be a strong supporter for greater defence co-operation at more levels, especially where defence overlaps with political and diplomatic issues.

Nicholas Hills takes a look at business law in Dubai.

A stimulating environment

ment has established the Economic Department, which now looks after, controls and facilitates the registration of businesses in the Emirate of Dubai (other than in the Jebel Ali Free Zone (JAFZ). The JAFZ has its own individual registration and licensing requirements and operates under its own enabling legislation: an interesting recent development at JAFZ has been the introduction in 1992 of a single-shareholder limited-liability entity

known as a Free Zone Establishment (FZE). While there are considerable advantages and incentives in setting up in JAFZ, many businesses still opt (or require) to establish outside JAFZ in

Dubai itself. There are a variety of ways - many not mutually exclusive - in which a foreign business may operate in or into Dubai under the auspices of the Commercial Companies Law, some of whose provisions are at the moment under review, or under the Commercial Agencies Law.

Care and advice needs to be taken over selecting how to establish. Outside JAFZ, with

very few exceptions, some local environment of Dubai, the connection (a sponsor, agent or partner) is required. As a general rule, limited companies established with foreign investment need 51 per cent local participation.

By far the most interesting prospective legal development in the UAE (and in particular in Dubai as a commercial and financial centre) is the imminent introduction of the Commercial Transaction Law, which will need to be considered very closely in parallel with the existing civil law, In the vibrant mercantile

introduction of regulatory com-mercial legislation will be particularly relevant and, it is expected, beneficial in terms of commercial activity. However, there is bound to be a transitional period while the experi-enced business practices will need to change to conform with the new law.

The new legislation is comprehensive and, although it is similar to commercial legislation in other Gulf states, it has been carefully considered in the context of local requirements. With the recent intro-

tions Law, have a more complete body of business law. The development of business law and the constant interrelation between local and foreign interests, particularly in Dubil (as a regional centre), will continue to provide a challenging and stimulating environment

duction of intellectual property

legislation, the UAE will, with

the new Commercial Transac-

in which there will be an increasing need for sophisti-cated, but nonetheless practical, legal structuring and docu-mentation.

The author, who has worked in Bahrain, Oman and the one, is the resident managing partner of Troppers & Hombits regional office in Dubai. Traners & Hamlins is an established London legal practice with offices in Dubai, Abu Dhabi and Oman.

INTERNATIONAL AEROSPACE EXHIBITION

Top-ranking regional event But the immediate interest lies in

and the Gulf states. Saudi Arabia, Kuwait and Abu Dhabi are expected to spend more than \$30bn over the next seven years, in addition to existing orders, on advanced fighters, heli-

Offset agreements, by which the supplier or the supplier government agrees to invest 30 per cent or more of the contract value in the client country, are now a standard part of large

Two factors have caused competition to intensify between traditional western suppliers and companies from the former Soviet bloc countries. The first is the expected decline in defence requirements from Israel and

the Arab front-line countries following the signing of the PLO-Israel accord in September. The second is that Saudi Arabia and the Gulf states, whatever the size of their budget deficits, are perceived to be the last remaining countries with significant amounts of cash to spare and obvious high-technology defence needs to

which exposed their defence weaknesses, they have all embarked on expensive defence procurement pro-

grainnes.

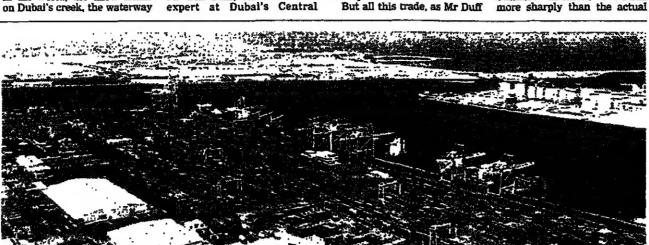
The UAE in particular is concerned about the recent Iranian occupation of the UAE Gulf islands of Abu Mosa and the Tumbs near the Gulf entrance to the Strait of Hormuz. The Gulf states and the western countries with which they have defence agreements have also commented on the franian acquisition of two former Soviet diesel submarines at a cost of some \$400m and at a time when Iran is conspicuously strapped for cash

ment has denied recent Saudi navipaper reports that it was planning to test-fire the North Korean missiles in the Dasht-e-Lut desert in central lean. Russia and other CIS and eastern European countries will be represented by some 40 companies. Russia also intends to put on display the

Scud missiles. The Iranian govern-

giant Antonov 125 cargo carrier as well as the Mig-23 and the Sukhul-77-fighters. Russian companies also have a wealth of research and development experience, most of which cannot now be afforded by their own government.

it is possible an announcement could be made at the air show.



container traffic had increased 37 per cent. Last year, it was up a further 48 per cent

HEAVY INDUSTRY

the entire smelter operation,

in readiness for exporting to the EC. Last July, Dubai Cable Company became the first cable factory in the Middle East to be awarded the ISO 9002 standard, widely used throughout the US, Europe and Japan to ensure manufactured products meet specific high quality standards. The European Community is planning to ensure that all cable imports into

equivalent units), for the first Europe meet these standards. The company says it achieved record sales in 1992 fic had increased by a further with a 12 per cent increase throughput is likely to reach over 1991. It successfully broke into the Asian market Last year. DPA invested with a £10m contract from \$100m to expand Jebel Ali's Singapore's Public IItilities container terminal and buy six Board and last August won new container cranes, and a another supply contract for further two are on order for low voltage cables from Hong Kong's China Light & Power Rashid. The two ports together Company. Mr Neil Chesworth, general manager for sales and marketing, says products can be made in Dubai which are as The cargo village at Dubai's international airport completed its first full year of good as anywhere. The ingreoperations in July 1992 and, dients for success in Ducab's working in tandem with DPA. case are a growing market such as the Middle East, a joint venture partner such as the Dubai government which

that a Japanese manufacturer leaves BICC to run the comusing sea-air via DPA to reach pany, and BICC's know-bow. Germany can save one third off all-sea transport and more The same "hands-off" policy than 40 per cent off all-air adopted by the government bas also been a winning for-Dubai Aluminium's producmula in the case of Dubai Drydocks, the \$400m ship repair tion last year exceeded capaccomplex opened in 1979. It has ity for the first time since completion of the smelter three graving docks of development programme in 350,000dwt, 500,000dwt, and January 1991. Hot metal pro-1,000,000dwt, and for years duction reached 244,605 was regarded as a white elephant because by the time it opened the tanker market tonnes, an increase of 5.575 tonnes on 1991 production. The aluminium industry as a involving very large vessels whole suffered from the effects was undergoing one of its very depressed periods. In the 10 of the recession in Organisayears it has been operating, however, it has made a profit tion for Economic Co-opera-

every year, according to Mr

Dubal sold more than 250,000 Ernie Ware, chief executive. toppes of finished metal to 21 During the Iran-Iraq war, a countries, with Japan continulot of vessels with minor daming to account for the largest age were repaired in Dubai, percentage of sales. and once the war was over in Dubal is now applying for accreditation to the Interna-August 1988, Duhai Drydocks began seriously the job of building up industries related tional Standards Organisation under ISO 9002 for coverage of to the drydocks themselves. It

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Quality producers has attracted several contrac-

tors into the industrial estate adjacent to the shipyard. The number of vessels repaired between March 1992 and February 1993 was 103 with a tonnage of more than 20m. Since the beginning of March this year, 103 vess have been in for repair with a total tonnage of nearly 16m.

> ebel Ali Free Zone has witnessed the same kind of success. The concept and the scale of Dubai's ambition when the Free Zone Authority was established in February 1985 was greeted with the same kind of scepticism as Dubai Drydocks. But despite the Iran-Iraq war and the 1991 Gulf war - and fears for the region's stability which curbed investor interest - Jefiting from the scale of the

> It offers a long list of very attractive inducements to potential investors, including a lack of red tape which is a businessman's dream compared with the red tape in most neighbouring countries, and it has been vigorous in

original concept.

dom of manufacturing products for sale in Europe, in Dubai rather than in Asia. There are still obstacles to attracting the kind of manufacturing companies the Free Zone wants. The first has been the conspicuous reluctance of neighbouring countries which are prime re-export targets, particularly Saudi Arabia, to

promoting itself. By mid-Octo-ber there were more then 560

companies with licences to

operate in the Free Zone. They

came from 58 countries and

represented an investment of

more than \$1bn. Sultan Bin

Sulayem, Jafza chairman, said

"mega-companies" had been

showing considerable interest

in applying for special off-

He says European companies

are beginning to see the wis-

shore licences.

cept that goods made in the free zone with a minimum 40 per cent value-added content by a company owned at least 51 per cent by a GCC national should pass as a locally-produced item, and therefore be liable to a similar low rate of import duty as that payable by any other GCC onshore industry. According to Mr Bin

them in the UAE. The cost disadvantages, frustrations and delays have deterred many a would-be investor.

zon is the nagging possibility that Dubai in general could not support a major industrial investment because it could not satisfy long-term power needs. Talks are reported to

Hawk and Italian Aeromacchi CMC's titular commander-in-

have taken place, however, with the neighbouring emirate of Sharjah, with Ahu Dhahi, Qatar, and Iran.

■ HE UAE is an interesting business legal environment because of the interface between the federal (UAE) legislation and regula-

emirates, including, of course, The law is embodied in codified decrees published in either the Federal or individual emirates' Official Gazettes, which then need application and interpretation in the context of an active and established com-

tions in force in individual

mercial environment. Businesses in Dubai are required to comply with federal legislation as well as Dubai's own regulations, which are designed to attract responsible and appropriate foreign businesses to Dubai, which itself has become a sig-

nificant regional centre.

In 1993, the Dubai govern-S many as 450 companies from A 33 countries will be taking part in the second International Aerospace Exhibition in Dubai on November 7-11. The degree of interest shown by supplier countries and aviation companies has confirmed the hopes of its organisers, the UK's Fairs & Exhibitions, that "Dubai '93" - held every two years - ranks, in the Middle East, on a par with Farnborough and Paris for Organisation for Economic Co-operation and Development coun-

The Financial Times is organising a conference, also in Dubai, on "World 8-10. Speakers include senior executives from aviation companies, government organisations and commercial banks.

Some 75 civil and military aircraft which will be on display and will take up the bulk of the one kilometre-long exhibition grounds at Dubai's international airport. Equal numbers of civil and military suppliers are expected and the exhibition is intended to reflect a trend for manufacturers to display future aerospace technology

rather than just existing products.

potential orders for high-technology defence equipment from Saudi Arabia

copters and air defence systems. A Kuwait Defence Ministry spokesman said on October 5 that the government was still evaluating different options for helicopters, following reports that Kuwait had followed Saudi Arabia and Abu Dhabi in having placed firm orders for the McDonnell Douglas Apache attack helicop-

defence contracts.

There is concern about the recent Iranian occupation of **UAE Gulf islands**

compensate for their small populations and defence establishments. Since the end of the 1990-91 Gulf war

Iran is reported to have an option on a third submarine. It is also reported to have plans to assemble North Korean-made medium-range

Their weakness may be their need for financing. Among civil airline fleets, the most publicised customer, Sandi Arabia's flag carrier Saudia, has yet to select suppliers to revamp its ageing fleet of some 60 aircraft. Both Boeing and Air-bus are vying for the deal, India is expected to spend several hundred million dollars modernising its air ports. Dubai is also due to expand its airport - where the exhibition is being held. The Dubai government is still examining different options, and





New curbs concern foreign banks

took just one well-intentioned directive from the UAE central bank to change the complexion of future business opportunities for Dubai's foreign banking

Until October 16, there seemed no reason why loan assets, deposits and profits should not have increased over the next 15 months more or less as they had since the beginning of last year - for for-eign banks as well as for the five locally-incorporated banks which originate and do most of their business in Dubai But the five local banks - in

common with the stronger The bombshell came with the announcement

limit on loans local banks throughout the Emirates - are not affected by the central bank directive in anything like the same degree

of new rules setting a.

as their foreign counterparts. The bombshell for foreign banks came with the announcement of new rules setting a limit on loans to single borrowers or group of related borrowers at 7 per cent of a bank's capital base. A key clause of the central bank's directive identified a bank's capital base as the same as that used for capital adequacy purposes based on the 1988 ruling of the Basel committee of the Bank for International Settlements. This stipulated that banks worldwide had to have an adequacy of 8 per cent capital relative to risk assets, to ensure they had enough capital

The calculation of total advances to customers is graded according to the type of advance - a straightforward loan counts as a 100 per cent advance while a letter of credit counts for less. The UAE and other Gulf states except Saudi Arabia were listed as high risk country borrowers. And even though the UAE is claiming average capital adequacy among its banks of 10 per cent -2 per cent higher than that, sixth largest industrial group and its required by the Besel Commit biggest electricity generator, and gastee - it is not, yet, accepted by company Winterstall.

the Basel committee on a par with Saudi Arabia or Organisation for Economic Co-operation and Development countries.

The latest UAE central bank restrictions follows a long list of regulations issued since 1985 when UAE banks paid the price for some poor-quality loan assets, and were either forcibly merged by emirate government decree or bailed out with an injection of fresh

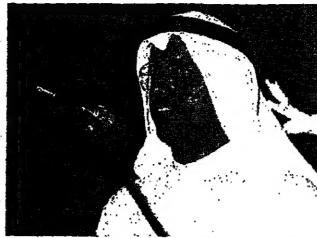
In Dubai - as in Abu Dhabi - the combination of forced mergers and new capital enabled new management, with support from the emirate government, to start clawing back bad debts. Mr Sultan Al-Suweidi, the UAE central bank governor, probably has more experience of this kind of exercise than all the other UAE bank managing directors. Starting in 1982 with Abu Dhabi Investment Company, Mr Al-Suweidi went on to man age the Bahrain-based Gulf International Bank which had burned its fingers in Saudi Arabia; and finally to Abu Dhabi Commercial Bank which inherited the problems left over from the three banks from

which it was created. Even

A L. but 2 per-cent of Dubei's energy requirements are met by gas. But for the government,

with its strategy of creating a

the first two has averaged some



without the BCCI fiasco, it would be understandable, as foreign bankers in Dubai are the first to acknowledge, if Mr Al-Suweidi has a bee in his bonnet about the quality of loan assets.

Ironically for Dubai, a citystate which prides itself on its laissez-faire approach, there now remains only one commercial bank out of five Dubai-registered banks which has no government shareholding. This

is the Bank of Oman (renamed MashreoBank on October 1 for reasons of internal strategy.

All the others - the National Bank of Dubai, Emirates Bank International (EBI), Middle East Bank (MEB), and Commercial Bank of Dubai - are either owned outright by the government or majority-owned by it. EBI is 80 per cent government-owned, and EBI in turn owns 98 per cent of Middle

have any serious problem with the central bank circular, Mr Abdulaziz Al Ghurair, MashreoBank's chief executive officer, pointed out his bank's capital adequacy was 17 per cent. After two years of planned restructuring leading up to the change in name, its 1992 return on assets was 2.1 per cent and per cent on shareholders funds. Its liquidity ratio was also high at 41 per cent. Profits last year exceeded Dh200m, up more than 40 per cent from

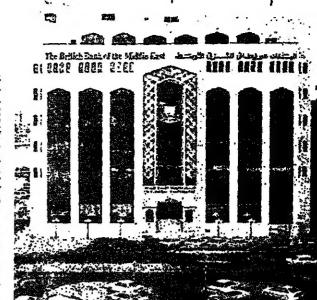
1991. Eighty per cent of these derived from its home base, Dubai; the balance from its branches overseas in New York, London, Hong Kong and four other countries. EBI is itself the result of government intervention in three former local banks which were bailed out between 1983 and

1985. The bank, applying lessons learned from the past, has its own internal credit restrictions which, according to Mr Anis Al Jallaf, managing director and chief executive officer, confine lending to below central bank limits. However, with shareholders' funds of Dh1,17bn, the 7 per cent limit would still amount to Dh80m.

sympathetic to the position foreign banks now find themselves in. He says: "UAE national banks abroad can lend according to the capital base of their group and work according to a country limit." He and others interpret the central bank's directive as a warning shot across the bows of find more capital and merge. The dilemma for foreign

banks is all the more acute in that much of their sizeable exposure is to contractors and traders dealing on a large scale. They require cash facilities, guarantees and letters of credit which can amount to one third or more of the value of a contract. If the credit limitation is not modified, they would have to go to a syndl-cate of banks rather than to one alone - much more expensive and time-consuming.

One foreign banker's reaction to the central bank circular was blunt: "If the central bank wants to get rid of foreign banks, it is going about it the right way." Business prospects are favourable enough, however, and foreign banks are likely to stay even if between



The new head office of the British Bank of the Middle East in Dubai

now and January 1, when the directive starts coming into force, they do everything they amend its directive.

Most of the 13 larger foreign banks have branches or are based in Dubai. Their combined balance sheets for 1992 showed net profits soaring by some 32 per cent over 1991 to almost Dh300m. Loans and deposits were up 11.5 per cent and 12 per cent respectively.

British Bank of the Middle East reported profits up 17 per cent compared with 1991; Standard Chartered up 26 per cent; Citibank almost double the profits of the previous year. Official figures show that loans by foreign banks accounted for more than half their assets; those by local banks at 40 per

If the central bank would accept that foreign banks could use their head office or parent's global capital base as a yardstick, that, said one foreign banker, would solve their immediate problem. Another possible solution is for the bank's head office to increase capital funds allocated to the UAE central bank as an interest-free deposit. If neither of these two is acceptable to the

The deadline for reporting large exposure is March 31 next year

central bank then one banker suggested larger loans would go onto the books of off-shore banks, away from UAE rules. large exposure is March 31 next year, but extensions can be granted until the end of 1995. If the TIAE economy in general, and Dubai's in partic-

ENERGY

Alternative sources needed

long-term self-sustaining economy based on the tripod of traditional imports and re-exports, tourism, and further development of Dubai as a regional services and light industries centre, there can never be enough crude; Dubai sets the price. It also energy. Nor is it satisfactory for markets four or five cargoes a month. Dubai to be dependent on only one or each containing some 'Am barrels, so two sources of supply.

Some gas reaches Dubai's generathat when traded the government knows what price DPC should also be tors from the four off-shore oilfields getting. Dubai treats crude oil as just another commodity, with the sole purwhich provide the bulk of Dubai's oil pose being to maximise value. The approximate published price for mid-October was \$15.23 a barrel. Dubai and gas revenues - Fateh, South West Fateh, Palah and Rashid. Output from

gets its revenue from taxes and royal-ties levied on DPC. 200,000 barrels a day and 190,000 b/d respectively. Output from the last two is some 10,000 b/d each. The conces-Since last April, a pilot scheme has ston holder is Dubei Petroleum Comoperated to inject 100m on ft a day of pany (DPC) consisting of the US's Conoco, the operator, France's Total, to enhance recovery. Signs are that the scheme is proving positive the Spenish company Repsol, and two German companies: RWE, Germany's and that recoverable crude reserves are greater than originally foreseen.

until 2038.

Dubai Natural Gas Company's processing plant at Jebel Ali. Most of the liquids - butane, propane, and condensate - are separated and shipped to Japanese buyers. Some of the liquid gas goes to Dubai's own products company, Emirates Petroleum Prod-

Most of Dubai's energy requirements are met by the emirate of Sharjah

ucts Company, which operates its own petrol stations.

A \$2bn refinery with a capacity of 250,000 b/d - almost all of which would be for export - at Jebel All is still being considered. Potential mareast coast of Africa. Such a refinery

ficient in petroleum products - or at least less dependent on Abu Dhabi - even allowing for the anticipated surge in demand. Some of the dry gas - about 130m cu ft a day - is used by Dugas itself; some goes to power generators at Dubai's aluminium smelter and to Dubai city.

The onshore gas and condensate field operated at Margham by Atlantic Richfield produces some 35,000 bid of condensate and can produce 400m cu It a day of gas. This is all reinjected to maintain reservoir pressure except when, in high summer. Dubai itself needs extra gas supplies for generators. In this case up to 150m cu it a day is available.

Most of Dubai's energy requirements are met by the neighbouring emirate of Sharjah where the Sajaa

140m-250m cu ft a day depending on seasonal demand in Dubai. For this it is thought to have paid something less than \$1.25 per million cubic feet. Amoco has recently found more gas and condensate. Other, smaller, gas supplies reach Dubai from Sharjah's offshore Mubarak field. Dubai's energy needs last summer averaged 315m cu ft a day, with the

by Amoco. Under an agreement

signed in May 1985, Dubai receives

annual average being about 230m cu It a day. But energy demand is rising almost 20 per cent a year and one estimate puts Dubai's summer consumption in the next few years at 500m cu ft a day if present growth rates are maintained. For the time being, this demand can be met from existing sources, but the

narrow spread of suppliers is causing concern. Added to which, gas from Sajaa and Margham may not last more than 10-15 years.

Dubai has to find other sources of

energy. Sporadic talks have been held | ular, remain buoyant, it is for some time with Abu Dhabi, Qatar and Iran, but no agreements have yet

tion's chance of

banks will stay for a slice of

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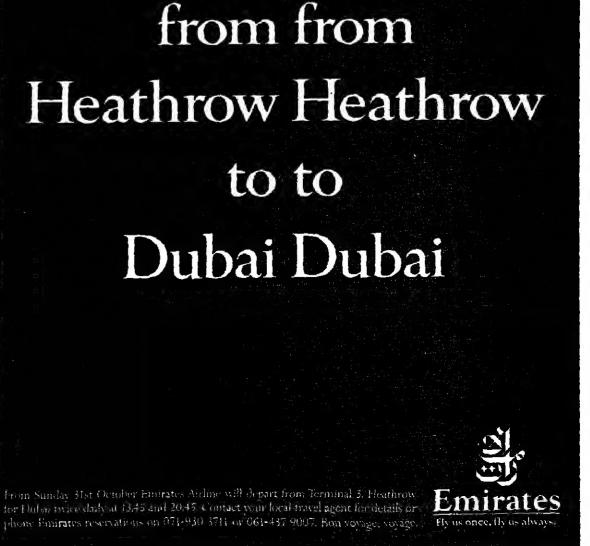
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s to their camp. ion is also divided ers of the Social

party, the largest tner, are unhappy eat constituencies s they share the nalists' preference ulti-seat system. the former Social-L but because they ould do less badly rtional representay. Mr Hosokawa

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ess will take at iths of behind-the play. If, as seems sokawa is still in , he is expected to on under the new next July, as soon boundaries have

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uosi after convicting Reuter reports

the number of nave been killed s between mili-

TOURISM

Focus on 'quality' sectors

BARELY 10 days after the departure of thousands of businessmen expected at Dubai's International Aerospace Exhia different kind of visitor are scheduled to pour into Dubai from India, Pakistan, Saudi Arabia and other Gulf states to hear pop star Michael Jackson at a sell-out concert in a local

soccer stadium. Such is the magnetic pull of Dubai and its governmentsponsored promotional organiations - notably the Dubai Commerce and Tourism Promotion Board, the Dubai National Air Travel Agency. and the travel management division of Emirates, Dubai's

Attendances at both exhibition and concert are almost certain to be inflated thanks to the timely decision last month by the Dubai government to open the emirate for short visits to white-collar residents of all Gulf Co-operation Council ality. Previously only citizens of GCC countries - Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia - had been allowed into Dubai without a visit or transit visa provided by a Dubai-based sponsor.

Dubai's success in selling itself as a tourist and conference-exhibition centre is reflected in the aggregate fig-ures for local hotel occupancles. These show the total number of visitors - business and tourist - increasing by 50 per cent between 1990 and 1992, despite the temporary but dramatic fall-off caused by the Gulf war.

The majority of these visitors are staying in deluxe or first-class hotels, but the higgest proportional increase in the same period - more than 250 per cent - have been visithe market

Dubal's Promotion Board now maintains offices in seven countries for North America, An example of its success is that Dubai now features on the books of 38 German tour operators alone. The general manager of Frankfurt-based Airtours said in September there had been a steady increase in the German demand for holi-days to the Emirates. But the reasons he gave - "very high standards of quality, service, and security," - apply to all the countries where Dubai has made a visible impact on both the summer and winter tourist markets. And because Dubai is a cosmopolitan city, language is not a problem for any visi-

tor, regardless of nationality.

Russians and citizens of

other former Soviet republics

are a fairly recent addition to



Dubai's tourist market. They descend by the planeload on Dubai and neighbouring emirates, not wearing uniforms, but selling them - along with medals, Russian dolls and other paraphernalia. Dubai's traders welcome them. They barter the Russian goods for television sets, radios and all kinds of

consumer durables.

Those who have seen the Russians' departure say there is not a square inch of aircraft aisle or emergency exit which is not packed to the ceiling with man and metal for the home market

Many of Dubai's existing five-star hotels are expanding. The luxury Jebel Ali hotel could be adding 100 rooms to

its present 275; and the Hatta Fort hotel, an ossis in Dubai's desert and mountain hinter-land, has doubled capacity and added a conference facility. J. P. Marriott opened a five-star hotel last September and a new Forte Grand opens next April. The luxury hotel construction spree is probably not over yet. The chief executive of

· Dubai's Promotion Board, Mr Khalid Bin Sulayem, says his organisation's efforts are moving towards "quality" tourism and incentive travel visitors. It was the Promotion Board which intitiated the new entry freedoms for GCC residents, an initiative which has already been endorsed by GCC regional chambers of commerce.

But the icing on the cake for Dubat's leisure market must surely be the three all-grass golf courses, and their related facilities. Emirates Golf Club. opened in 1988, is the home to the PGA Desert Classic. Dubai Creek Golf & Yacht Club, com-pleted only last November, has a flood-lit three-hole course and driving range in addition to its 18-hole course. The new-est of all, Dubai Golf & Racing Club at Nad Al Shiba on the desert outskirts of Dubai city. has a nine-hole flood-lit course next to the racetrack and pad-

Dubai Racing Club, which owns and manages the race course will have its first full season this winter. It is internationally recognised, which means pedigrees of owners appear in catalogues everyere and jockeys registered in Dubei can race anywhere.

Thoroughbreds trained in Dubai are now entering and being placed - in races in Europe. And Dubai Racing Club's facilities for club members and sponsors, including hospitality boxes, make facilities at Europe's traditional race courses seem very inadequate by comparison.

"WHAT are they doing in Dubai?", a senior official at the Gulf Co-operation Council secretariat in Riyadh asked in October 1985, shortly after Emirates Airline had made its maiden flight to Bom-

The question was put with more than a hint of exasperation, and the inference was clear, that Dubai, through its upstart airline, was in some undefined way breaking ranks within the UAE - and by extension with its GCC partners - by injecting an unwanted element of competition among Gulf Arab states confronted with the Iran-Iraq war.

After all, the misconception was widespread that it was the UAE as a whole, and not just Abu Dhabi, which was one of four shareholders in Gulf Air - then, as now, the main regional rival to Emirates. So what business did Dubai have in starting another airline - its own - when there were enough airlines to go around? Last month, the "upstart" airline celebrated its eighth anniversary by implementing a marketing agreement with United Airlines, one of the three biggest US carriers, in a further move to expand its international network. This now directly spans 30 destinations in 24 countries. And far from undermining the GCC, Dubai's airline has brought more and new business into the region, and competitors have been forced to improve their own services to keep up.

The marketing alliance with United, in effect a code-sharing agreement, means that the two airlines can use each other's flight identification code to book passen-

PROFILE: EMIRATES 'Upstart' airline has cause to celebrate

gers in computer reservations systems. The logic of the arrangement is that Emirates' network, which has focused on the Middle East, the Indian sub-continent and Asia, can now dovetail with United's

transatlantic and US domestic routes. To link with United. Emirates now has two daily flights to London's Heathrow, which replace a previous service to Gat-

Emirates has never received subsidies from the Dubai government, which continues to insist on an open-skies policy and looks with equal favour on the 61 airlines which now fly into the emirate. The gov-

ernment does not regulate fares. Emirates' start-up capital was used to buy two second-hand Boeing 727s from Dubai's Air Wing. Emirates shares head office premises with Dubai National Air Travel Agency to which it pays a crosscharge for rental. "That is all Emirates ever received in government investments or grants," according to Mr Dermot Mannion, the airline's corporate treasurer. And Emirates gets no guarantees from the government when negotiating bank financing for new aircraft leases or acquisitions.

In the western context of the distinction between the private sector and the publicstate sector, Emirates is an anomaly, for it



is simultaneously in both of these. In common with all seven emirates forming the UAE, as well as with other member countries of the GCC, the Dubai government is "private", consisting of the ruling family and, lower down, its nominees and officials. In this sense Dubai Inc is a private company. At the same time it is very much the State.

The airline is thus the private sector commercial extension of the government and its campaign to promote the emirate

of Dubai, as part of the UAE, as the ure dominant regional business centre and transit point between Europe and Asia. Not for nothing is the airline's chairman, Sheikh Ahmed Bin Said Al Maktoum, a member of the ruling family, also chairman of Dubai's Commerce and Tourism Promotion Board, an autonomous government agency, as well as president of Dubai's Department of Civil Aviation.

But to finance the leasing of its fleet of craft until the revenue is generated 13 aircraft, the airline has tad to rely on pays off the loan plus the interest.

its own resources and return on capital. The fleet consists of eight Airbus A310-300s, and five A300-600Rs. The average age of aircraft in the fleet, including the two original 727s, is less than 31/4 years.

The airline releases figures on a selective basis only to institutions involved in loan negotiations. But according to the journal Airline Business last April, Emirates, based on fleet size, a 1992 kilometre total of 5.52hn and a load factor of nearly 70 per cent, had 1992 revenues of between \$400m and \$450m

The airline has been profitable for six out of its seven full financial years, according to Mr Mannion. In the period April 1992 - April 1993 capacity increase 54 per cent and six new routes were added.
All of its fleet of 13 Airbuses have been

financed by commercial bank borrowings. including the first-ever Islamic lease - his one Airbus - arranged by Saudi Arabia's Al Rajhi Banking and Investment Corporation. To do this, Al Rajhi set up a special purpose company which owns the aircraft until the expiry of the lease, at which time Emirates has an option to buy the stretch. Western commercial bank arranger also allow for the banks to own the aircraft until the revenue is generated which

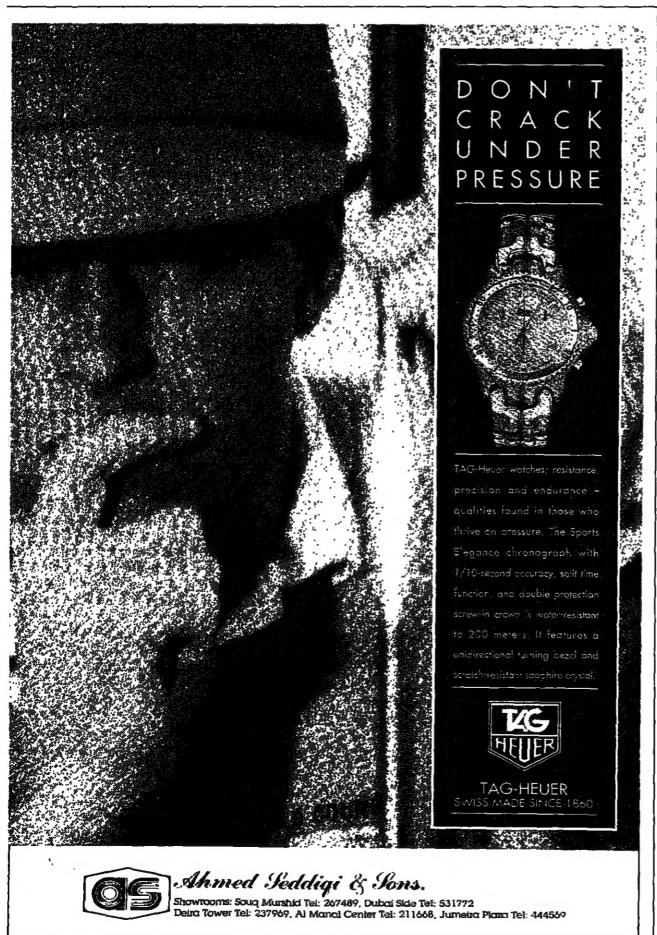
There is, says Mr Mannion, a pool of liquidity available in Islamic banks. The only hurdle has been regional investors' reluctance to commit liquidity for as long as 10-15 years instead of the five to seven

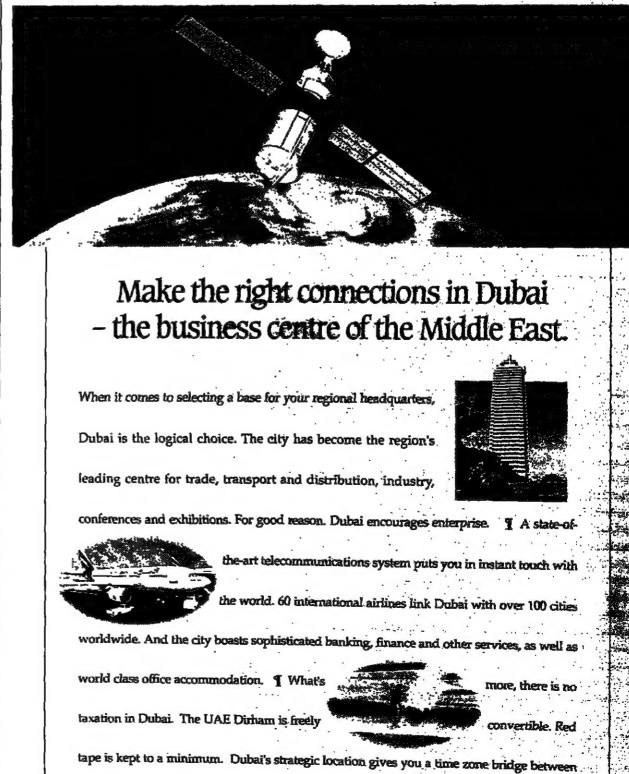
years they prefer.
Al Rajhi is one of the institutions Emirates is approaching to finance the pur-chase of seven Boeing 771s which are on order and due for delivery starting in March 1996. The airline also has an option OH a further seven 777s. Discussions have already started with Eximbank over airframe financing and with Britain's Export Credits Guarantee Department over a \$400m contract which Emirates signed last July for 35 Rolls-Royce Trent engines.

After the heady expansion of its fleet and new routes since the beginning of last year, the airline could be looking for a period to build up its cash reserves in advance of the delivery of the 777s, and to continue to streamline some of its existing

For example, Rome, a recent addition as a stop-over point to Zorich, is now a stand-alone destination, drawing both tourists and businessmen to Dubet On existing routes, flights to Hong Kong and Singapere now leave duty, while the frequency

to Manchester has been increas Emirates generates 45 per cent of total eent through Dobel's international airport. Resovation and modernisa-tion plans have been on the hould since 1986 when Bechief prepared the first studies. The Dubni-government is considhering, but has not yet decided, on the scale of the proposed redevelopment.





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